At home in Europe

Annual Report 2018

OVB

Contents

Key figures for the regions

Central and Eastern Europe

	Unit	2017	2018	Change
Clients (31/12)	Number	2.27 m	2.39 m	+5.0 %
Financial advisors (31/12)	Number	2,753	2,752	±0.0 %
Total sales commission	Euro million	109.0	116.3	+6.7 %
Earnings before interest and taxes (EBIT)	Euro million	9.5	9.9	+3.5 %
EBIT margin[1]	%	8.7	8.5	-0,2 %-pts

[1]Based on total sales commission

Germany

	Unit	2017	2018	Change
Clients (31/12)	Number	623,138	616,775	-1.0 %
Financial advisors (31/12)	Number	1,296	1,333	+2.9 %
Total sales commission	Euro million	59.1	59.4	+0,5 %
Earnings before interest and taxes (EBIT)	Euro million	6.7	7.1	+6.0 %
EBIT margin[1]	%	11.3	11.9	+0.6 %-pts

[1]Based on total sales commission

Southern and Western Europe

	Unit	2017	2018	Change
Clients (31/12)	Number	453,044	481,283	+6.2 %
Financial advisors (31/12)	Number	653	630	-3.5 %
Total sales commission	Euro million	57.2	55.6	-2.7 %
Earnings before interest and taxes (EBIT)	Euro million	7.6	6.2	-18.2 %
EBIT margin[1]	%	13.3	11.2	-2.1 %-pts

[1]Based on total sales commission

OVB profile

OVB stands for cross-thematic and above all client-oriented allfinanz advice with a long-term approach provided to private households. With almost 3.5 million clients, more than 4,700 financial agents and activities in 15 national markets, OVB is one of the leading financial intermediary groups in Europe.

Key figures for the OVB Group

Key operating figures

	Unit	2017	2018	Change
Clients (31/12)	Number	3.35 m	3.48 m	+4.1 %
Financial advisors (31/12)	Number	4,702	4,715	+0.3 %
Total sales commission	Euro million	225.3	231.3	+2.7 %
Brokerage income	Euro million	221.6	231.3	+4.4 %

Key financial figures

	Unit	2017	2018	Change
Earnings before interest and taxes (EBIT)	Euro million	16.0	13.2	-17.6 %
EBIT margin[1]	%	7.1	5.7	-1.4 %-pts
Consolidated net income after non-controlling interests	Euro million	12.1	9.6	-20.8 %

[1] Based on total sales commission

Key figures for OVB shares

	Unit	2017	2018	Change
Share capital (31/12)	Euro million	14.25	14.25	±0.0 %
Number of shares (31/12)	Shares million	14.25	14.25	±0.0 %
Earnings per share (undiluted/diluted)	Euro	0.85	0.67	-20.8 %
Dividend per share[2]	Euro	0.75	0.75	±0.0 %

[2] 2018 proposed dividend

At home in Europe

The 15 European national markets in which OVB operates give us access to about 430 million people. This international orientation is an essential element of our business model and clearly distinguishes us from the competition. Our strategy “OVB Evolution 2022” provides for further expansion into attractive markets.

Oskar Heitz, CFO

- Born 1953
- More than 40 years of experience in the financial sector
- With OVB since 1991

Responsibilities

- Corporate Accounting
- Risk Management
- Compliance
- Management Accounting
- Investor Relations
- Legal Affairs
- Tax Planning
- Data Protection

Mario Freis, CEO

- Born 1975
- More than 20 years of experience in the distribution of financial services
- With OVB since 1995

Responsibilities

- Corporate Development
- Corporate Management
- Sales
- Training
- Product Management
- Marketing
- Communication
- Auditing

Thomas Hücker, COO

- Born 1965
- More than 20 years of experience in Operations and Business Management
- With OVB since 2013

Responsibilities

- Group IT
- IT Security
- Business Process Management
- Human Resources

Dear shareholders,
Ladies and gentlemen,

More than 700 million people live in Europe. All the differences notwithstanding, the vast majority of them do share important basic values: They stand for democracy, human rights and individual freedom. They have built institutions that give expression to political will and make a common European policy possible in this age of globalization. We consider Europe a success story – because of its unity and its diversity.

Founded 1970 in Cologne, OVB made the decision in the early 1990's already for an expansion across the German borderlines. Today we operate in 15 European countries, have thus access to some 430 million people and generate three fourths of our sales outside the domestic German market. That is a success story, too. OVB keeps pushing its expansion efforts and even today has a broad geographic positioning unlike any other European financial services provider. With the acquisition of long-established Belgian firm Willemot at the end of 2018, we took the step into the fifteenth European national market. Based on its many years of commitment in highly different national markets, OVB has a vast body of experience in setting up and developing organizations for the distribution of financial services. We have achieved market leading positions in most of the countries we operate in. We appreciate and use the growth potential provided by the European Economic Area. OVB is at home in Europe – just as highlighted by the motto of our 2018 Annual Report.

The 2018 financial year was altogether satisfying for the OVB Group. We managed to increase our total sales commission by 2.7 per cent in a challenging environment. We are right on track with the implementation of our strategy, "OVB Evolution 2022". Capital expenditures linked to this effort result in a budgeted decrease in our operating result but strengthen the Company's future competitiveness and lay the foundation for future growth. Executive Board and Supervisory Board will propose to the Annual General Meeting on 14 June 2019 to adopt the resolution for a dividend of 75 euro cents per share for financial year 2018.

Kind regards

Mario Freis
CEO

Oskar Heitz
CFO

Thomas Hücker
COO

OVB in Europe

Founded 1970 in Germany, OVB recognized the growth opportunities of the European market early on and started in 1991 to transfer its successful business model to other national markets. In the reporting year 2018, it launched the market entry in Belgium. With 3.48 million clients and 4,715 full-time financial agents in 15 countries, OVB considers itself a European company.

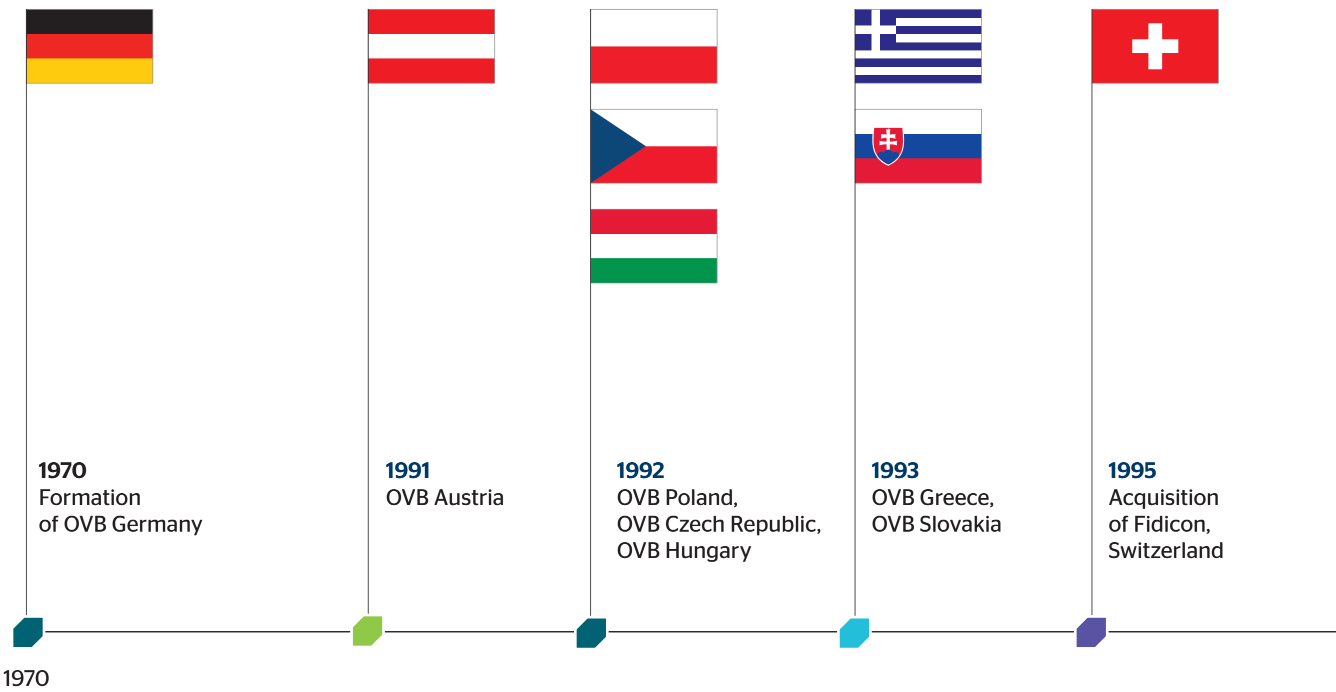
There is an enormous growth potential for the sustainable, cross-thematic and client oriented financial advice in Europe. This statement is valid in spite of the challenging general conditions for the brokerage of financial products, above all the deliberately low interest rate level and the constantly changing regulatory requirements.

The growth opportunities for financial advisory services in Europe are based primarily on four factors: the demographic development, the limited ability of Government provision systems to perform, rising disposable income in many countries and the undersupply with financial products for basic financial protection and retirement provision among large parts of the population.

The necessity of private retirement provision is on the rise across the countries. Over the next decades, life expectancy of the people in Europe will keep increasing significantly. At the same time, birth rates are at a very low level in many countries.

Effect: Within the public social security systems, a declining number of contributors will have to finance a growing number of beneficiaries over an ever longer period of time.

OVB's development of European markets



In order to cope with this development, a large number of countries have raised the statutory pensionable age. Furthermore, pension reforms bring about noticeable cuts for state pension commitments. Finally, tax financed contributions are supposed to support the public social security systems, possible only to a limited extent considering the high debt burdens of public budgets.

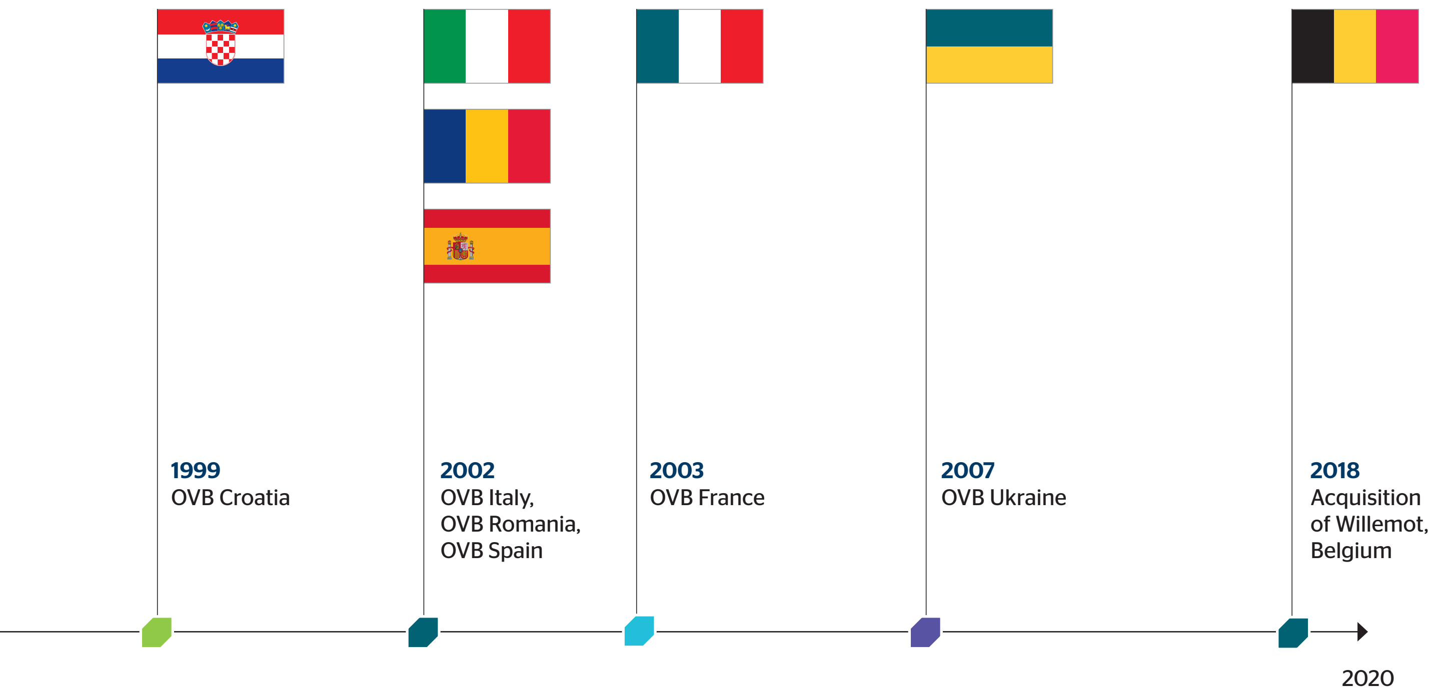
Effect: The gaps in the provision of old people keep widening.

Many of the countries in Central and Eastern Europe have shown dynamic economic performances after the collapse of the "Iron Curtain" in the 1990s. However, the real per capita income of their citizens is still below EU average. This gap will close in the medium or long term. The per capita income in the countries of this region will grow more than twice as fast as in Germany and the countries of Southern and Western Europe.

Effect: With increasing income come increasing resources available for private protection and retirement provision.

Income level and insurance penetration, i.e. insurance premiums in per cent of GDP, are connected. Poland's insurance penetration of 3.04 per cent for example is half the German rate of 6.04 per cent and only about one third of the French rate of 8.95 per cent. OVB's portfolio of countries thus comprises mature as well as emerging markets. This provides the Company with a balanced profile of opportunities and risks and stabilizes the business performance. OVB has a strong position in markets that combine fast growing income with catch-up demand in private insurance and provision expenses.

Effect: For OVB financial advisory service in Europe is a growth market.



OVB in Central and Eastern Europe

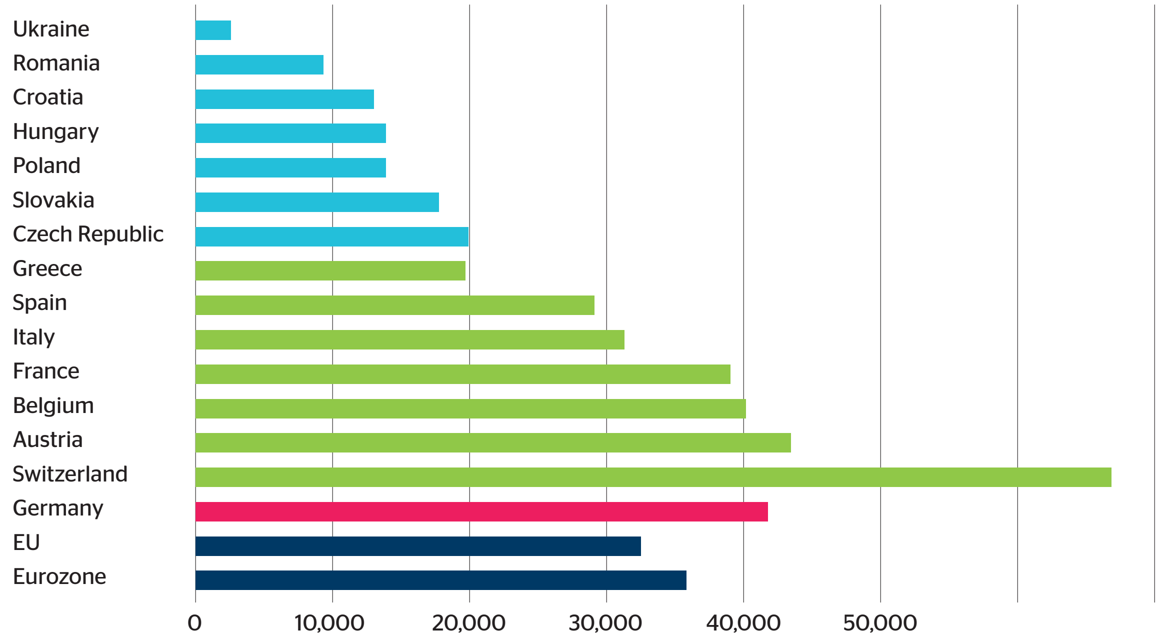
Central and Eastern Europe is an attractive growth region for the distribution of financial products. Since opening to the West in the 1990s, the income of private households has achieved fast growth compared to the western countries yet still remains considerably below the EU average in many cases. The economic growth rates reached in this group of countries will probably continue to be much higher than in the other European countries for years to come. Even today it is foreseeable that some of the region's countries will equal the income level of Western European countries in the medium term. Increasing income brings about increasing financial resources available to the citizens for protecting against risks and investing in private retirement provision within the context of asset generation.

A very early and successful commitment in the region secured OVB a strong position in the market: In 1992 OVB founded its subsidiaries in Poland, the Czech Republic and Hungary, Slovakia followed in 1993, Croatia in 1999, Romania in 2002 and Ukraine in 2007. In many cases, OVB was the first financial distributor offering cross-thematic allfinanz advice based on a diversified portfolio of partners and products from a single source. With each new sales organization, OVB gained in experience and familiarity with different market conditions. Today these are invaluable assets in the competition. As a result, OVB now has a market leading position in most countries. At the end of 2018, close to 2,800 full-time financial agents supported 2.4 million clients in the segment's seven national markets. Total sales commission added up to Euro 116.3 million in 2018, a 6.7 per cent gain over the previous year. Central and Eastern Europe meanwhile contributes half of OVB's consolidated sales.

The region Central and Eastern Europe offers large potential for future growth, too. While the average EU citizen spends Euro 2,035 annually on insurance premiums, this amount is Euro 217 on average in the countries of the Central and Eastern Europe segment; the Czech Republic tops the list with Euro 510, Ukraine brings up the rear with Euro 32 per citizen. Disregarding the different income levels, that relation applies also if life and property insurance premiums are set in relation to the macroeconomic performance: Insurance penetration accounts for 7.19 per cent of the gross domestic product in the EU yet for merely 2.50 per cent of the GDP in the countries of the Central and Eastern Europe segment. OVB aims at making continued and consistent use of this beneficial constellation of dynamic growth in income at significant undersupply with financial products for its business expansion over the next years.

Real per capita income 2018e

Euro



e = estimated

Source: United States Department of Agriculture (USDA) and United Nations, World Population Prospects: The 2017 Revision

OVB Central and Eastern Europe segment

	Population (Millions)	Insurance premiums (per capita, 2017, Euro)	Net financial assets (per capita, 2017, Euro)
Czech Republic	11	510	15,290
Slovakia	5	372	6,190
Poland	38	353	8,270
Hungary	10	291	13,400
Croatia	4	279	9,980
Romania	20	105	4,520
Ukraine	43	32	530

10,105
Per capita income 2018
Euro

2.39 million
OVB clients
12/2018

2.3 %
Real economic growth
p. a. 2018 – 2030

2,752
OVB financial agents
12/2018

OVB in Germany

OVB was founded in 1970 in Cologne. Currently 26 per cent of consolidated sales are accounted for by Germany, OVB's strongest national market. Because of its volume, its large population and the country's economic power, the German market is of particular relevance to OVB. However, Germany is also a mature and a complex market: Total life and property insurance premiums already amount to Euro 2,251 per capita, and the total volume of insurance premiums equals 6.04 per cent of the gross domestic product. The intensity of competition in the distribution of financial products is high. Banks, insurance companies, building societies, financial distributors, brokers and comparison websites all woo the same client. And with the establishment of online based business models like fintech and insurtech companies, new players keep entering the competition for the client. Moreover, an ever more close-knit Government regulation results in a strong increase in administrative expenses. A growing number of smaller market participants find themselves out of their depth.

In this challenging environment, OVB has strengthened its sound market position in Germany over the past years. Total sales commission went up slightly to Euro 59.4 million in 2018. Even more importantly: Contrary to the market trend, the number of full-time financial advisors working for OVB increased by 2.9 per cent over the 2018 financial year to 1,333 financial agents. This proves OVB's success in winning and qualifying young professionals urgently needed for the market.

The needs and wishes people have in the fields of financial protection and provision are very different. Considering an increasing complexity of financial products, the legal framework and state subsidy systems as well as one's personal situation in life, there is actually more, not less, demand for individual, cross-thematic allfinanz advisory service with a long-term horizon. This diversity also reflects in the composition of OVB's new business in Germany. In 2018, 28.2 per cent was accounted for by unit-linked provision products and 18.0 per cent by other provision products. Within this product group which includes classic life and pension insurance policies, safeguarding work ability is increasingly gaining in relevance. 10.6 per cent was accounted for by state-subsidized provision products. Property, legal expenses and accident insurance as well as products of building society savings contracts and investment funds made considerable contributions to the new business, too. This broad product portfolio proves: OVB brings the allfinanz approach it advocates to life in its financial advisory service. With its corporate strategy aligned with future market requirements, "OVB Evolution 2022", the Company will keep expanding its sound position in the market.

Breakdown of income from new business in Germany 2018 (2017)

- Unit-linked provision products 28.2 % (31.8 %)
- State-subsidised provision products 10.6 % (10.0 %)
- Building society savings contracts/financing 15.3 % (14.2 %)
- Property, legal expenses and accident insurance 14.8 % (15.4 %)
- Health insurance 5.1 % (4.9 %)
- Investment funds 7.4 % (4.5 %)
- Other provision products 18.0 % (18.5 %)
- Real property 0.6 % (0.7 %)

OVB Germany segment

Germany

Population
Millions

83

Insurance premiums
per capita, 2017, Euro

2,251

Net financial assets
per capita, 2017, Euro

52,390

41,634

Per capita income 2018
Euro

616,775

OVB clients
12/2018

1.1 %

Real economic growth
p.a. 2018 - 2030

1,333

OVB financial agents
12/2018

OVB in Southern and Western Europe

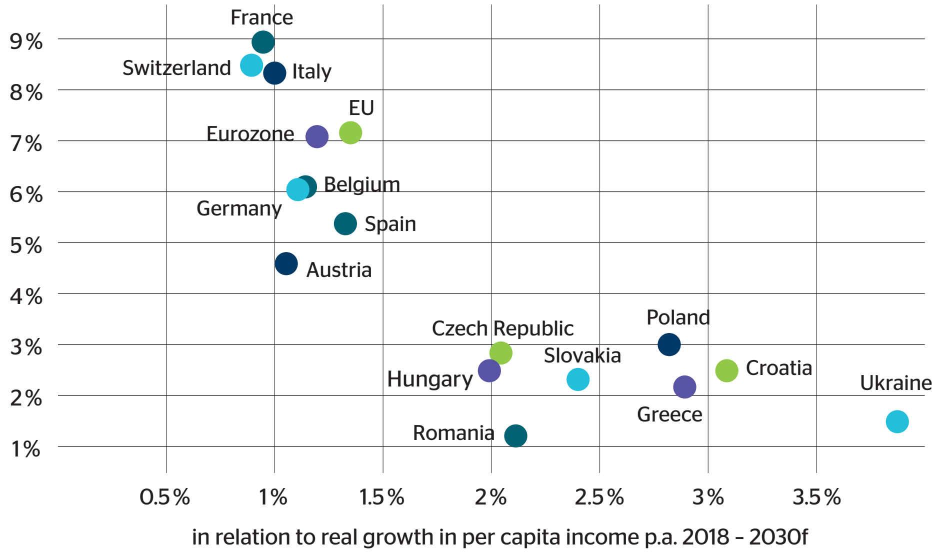
The macroeconomic framework for the distribution of financial products is most different among the countries of Southern and Western Europe. The bandwidth of per capita income in the seven countries of this OVB segment ranges from Euro 19,699 in Greece to Euro 66,812 in Switzerland. Moreover, there are specific market conditions: In Italy for example, the extremely high public debt closely limits the options for taking stimulating economic policy measures. In Spain, the financial services sector is dominated by the large banks. Similarly strong is the market position held by partnerships of banks and insurance companies in France, so-called bancassurance. Yet OVB has established itself in these markets and expanded its business continuously.

In the first half of the 1990s, OVB took the step into Austria, Greece and Switzerland. Italy, Spain and France followed in the new millennium, and Belgium came in December 2018. Contrary to established market trends, OVB counts on flexibility, its comprehensive allfinanz advisory approach and a portfolio providing different suppliers' products from one source. This concept had been unheard of in several of the countries and has evidently convinced many people with its obvious advantages. Over the past five years, sales generated by OVB in this region increased by more than one fourth, making Southern and Western Europe an important growth driver for the Group. At the end of 2018, 630 full-time OVB financial agents supported altogether 481,283 clients in the Southern and Western Europe segment. At Euro 55.6 million, this segment currently contributes 24 per cent to the OVB Group's total sales.

With the acquisition of all shares in Belgian brokerage firm Willemot NV, based in Gent, OVB provided the foundation at the end of 2018 for developing another European market. While Willemot makes a swift and stable entry into the Belgian market possible for the OVB Group, Willemot profits from OVB's momentum and new ideas. Both partners benefit from the combination of competence and experience.

The general conditions of the Belgian market are attractive for OVB. With a per capita income of Euro 40,282, the average income of the roughly 11 million Belgians is significantly above the average EU citizen's income of Euro 32,560. Extremely high net assets add to the appeal: With an amount of Euro 93,580 per capita, Belgium ranks fifth worldwide and third in the EU after Sweden and the Netherlands. One reason for this prosperity is the country's historically grown economic structure where the services sector accounts for almost four fifths of the economic output. On the other hand, Belgium is a relatively mature market for insurance policies. Insurance premiums (life and property insurance) equalled 6.09 per cent of Belgium's gross domestic product in 2017, very close to the German rate (6.04 per cent), yet also considerably below the amount in France of 8.95 per cent. Statistically, each Belgian spent Euro 2,224 on insurance premiums in 2017.

Insurance premiums 2017
in per cent of GDP



f = forecast
Source: SwissRe Institute: Sigma, No. 3 / 2018 and United States Department of Agriculture (USDA) and United Nations, World Population Prospects: The 2017 Revision

OVB Southern and Western Europe segment

	Population Millions	Insurance premiums per capita, 2017, Euro	Net financial assets per capita, 2017, Euro
Greece	11	344	14,000
Austria	9	1,857	53,980
Switzerland	9	5,705	173,990
Italy	61	2,228	58,610
Spain	46	1,272	29,730
France	67	2,886	59,100
Belgium	11	2,224	93,580

34,992
Per capita income 2018
Euro

481,283
OVB clients
12/2018

1.2 %
Real economic growth
p. a. 2018 - 2030

630
OVB financial agents
12/2018

Interview with CEO Mario Freis

Mr. Freis, how does the Executive Board rate OVB's business performance in the year 2018?

Freis: 2018 was a good year for the OVB Group. We managed to increase sales – against our expectations at the beginning of the year. Most operating subsidiaries reported considerable growth in spite of the implementation of various regulatory changes. Moreover, the number of our clients gained 4.1 per cent to now almost 3.5 million. More good news: We managed to win new financial agents at an increasing rate.

Doesn't the decrease in earnings tarnish the picture?

Freis: In 2017 we adopted our medium-term strategy, "OVB Evolution 2022". Each strategic cornerstone is linked to specific measures we are taking consistently and according to schedule. That is part of the 2018 success story as well. Capital expenditures for the realization of potential, digitization and modernization create expenses that affect earnings yet also offer additional opportunities for future growth. Good news for our shareholders: Executive Board and Supervisory Board will propose to the Annual General Meeting in June a dividend of 75 euro cents at prior-year level.

What was the single most important strategic step in 2018?

Freis: We took many important strategic steps in 2018, making progress for example in digitization, the development of the professional training system of financial agents and increased activity in the world of social media. Within the context of "expansion", the acquisition of Belgian company Willemot in December 2018 was certainly of great importance. With this transaction, OVB achieved a swift and solid market entry into our fifteenth national market.

Belgium is a rather mature market. Will a commitment there be worthwhile at all?

Freis: The share of insurance premiums in the gross domestic product already amounts to 6.09 per cent in Belgium. This number almost equals the share in Germany. But Belgium is an attractive market for us anyway: The income of private households is considerably above the EU average. With net cash assets of more than 93,000 euros per capita, Belgium ranks no. five worldwide; one of the factors is certainly an economic structure determined by the services sector. We want to score in Belgium with the OVB business model. And we will benefit from the many years of experience of the management team of the long-established firm Willemot, an existing infrastructure and a solid market position.

What other national markets will be options for OVB's further geographic expansion?

Freis: The macroeconomic development in Bosnia and Slovenia is rather positive at present. And we already operate in neighbouring markets. Insofar these countries deserve a second look. Apart from that, an expansion of our operations to Luxembourg seems a valid option after our market entry in Belgium. Portugal and the Baltic states are on our medium-term radar as well.

Is your business model not increasingly getting under pressure? Do you think you will still be able to make young people feel excited about your services in the future?

Freis: We stay close to the client by having hundreds of thousands of one-on-one client meetings each year. And we also monitor our target client groups, particularly the age group between 18 and 35 years, continuously and throughout Europe. The insight we gain from that reassures us that our business model for personal allfinanz advisory service will be absolutely competitive in the future. Especially young people are very interested in managing their finances. While they get a lot of information electronically of course, they also like to take advantage of individual advice on complex financial topics. By the way: The career opportunities OVB offers also meet the bundle of expectations young people have for their jobs.

So much for future prospects. One final question: What are OVB's plans for 2019?

Freis: We look forward to an exciting year over which we want to keep growing. The sales contribution from Belgium will add to our organic growth. We definitely want to achieve growth in sales and operating result. And thus we will start the year 2020 even stronger – the year of our important anniversary when OVB will celebrate its 50 years of business.

OVB Charity – 35 years of social commitment

OVB's qualified financial agents perform socially valuable services by protecting clients against a host of risks according to the allfinanz advisory approach and by helping them achieve their personal wishes and goals. In addition to that, OVB, its financial agents and its employees commit themselves to social causes as well.

Providing help where help is needed. The idea that sparked the foundation of the OVB Relief Organization "Menschen in Not e.V." in Germany, OVB's domestic market, as early as 1983 was that simple. The occasion back then was the financial support of a social institution in Cologne. Uncountable projects throughout Germany and in some cases even far away were to follow, such as financing a school and an agricultural self-help project in Kenya or emergency relief for the children in Haiti after hurricane Matthew had struck. In choosing the projects to support, the "Hilfswerk" focuses on the aspects of charity and welfare, children's aid and youth welfare, education, help for senior citizens, and public healthcare.

The OVB Relief Organization is bankrolled primarily by routine donations granted by the financial advisors of OVB Germany as well as the employees of OVB Vermögensberatung AG and OVB Holding AG. In 35 years more than 4 million euros have been given to social projects with immediate and tangible benefits. The interest of financial agents and employees in social commitment is high. Many involve themselves beyond their financial contributions during their leisure time with their knowledge and personal capabilities, organize fundraisers for instance or lend a hand at such events. OVB promotes particularly those projects where our financial agents and employees become directly involved.

It is part of the corporate strategy "OVB Evolution 2022" to expand our social commitment internationally. The bright idea that led to setting up the OVB Hilfswerk in Germany more than 35 years ago will be exported step by step to the other OVB countries as well. We are glad that we managed to launch the internationalization of our social commitment in the anniversary year of the German relief organization successfully: OVB's subsidiaries in Romania and Croatia established their own aid organizations under the joint name "OVB Charity".

In addition to that, SOS Children's Villages were won as an internationally respected project partner: "Fit for Life" stands for the vision of this cooperation for actively helping children and families and giving them the support they require for a future worth living in.

The human being is at the heart of our services. This also holds true for our social commitment. Everyone is invited to join and contribute his or her knowledge and skills. The focus is on the personal commitment of our financial agents and employees – preferably as teams. Commitment is thus not limited to anonymous donations and the joint effort for the benefit of disadvantaged people improves the team spirit.

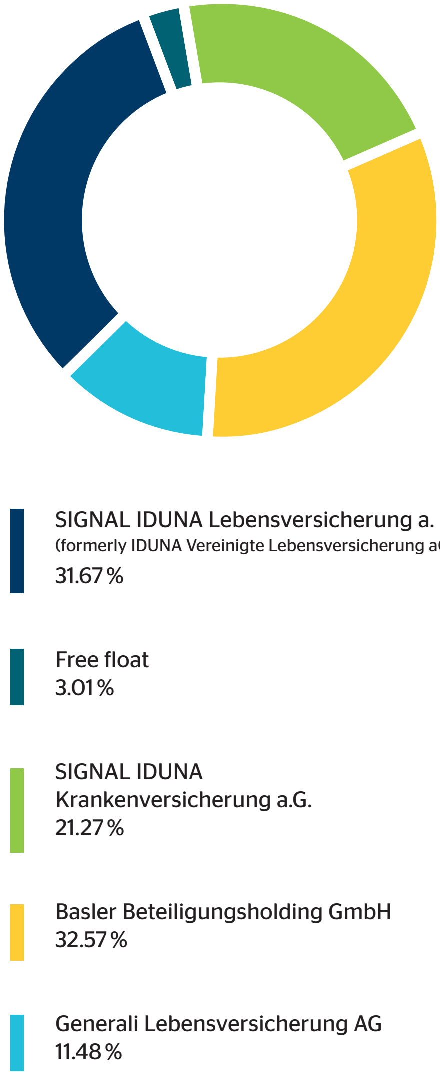
OVB on the capital market

Trust created by transparency

The share of OVB Holding AG has been listed in the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange since 31 July 2006. The Prime Standard represents the trading segment with the highest transparency requirements throughout Europe. Even in consideration of a free float that only amounts to 3 per cent of the share capital at present, we deliberately adhere to the stock exchange listing of the OVB share. The release of annual and quarterly financial statements in accordance with international standards of financial reporting and the detailed annotations on corporate governance in the Company bring OVB on a par with the major German and international corporate groups.

The German stock market showed a highly volatile performance in 2018. The benchmark index Dax moved within a bandwidth of between approx. 13,600 and 10,300 points. Starting at the 2017 year-end mark of 12,918 points, the Dax hit a new all-time high of 13,597 points on 23 January 2018. After that, subject to strong fluctuation, the leading index dropped to 10,559 points on the last day of trading in 2018, equivalent to an 18.3 per cent loss since the beginning of the year. Reasons for this development were the escalating international trade conflicts, political and economic uncertainty in the European Union (Brexit) and the euro area (Italy) as well as expectations of rising capital market interest rates particularly in the United States.

The share of OVB Holding AG closed the year 2017 with a price of Euro 22.065. A sideways movement until mid-March 2018 was followed by a steep decline leading down to Euro 17.10 on 28 March. A short time before the Annual General Meeting of OVB Holding AG was held on 5 June 2018 in Cologne, the share price rose to Euro 20.80 until it gradually went down again, due in part to the ex-dividend markdown. The low was reported on 30 August at a price of Euro 14.70. Until year-end 2018, the share of OVB Holding AG gained up to a price of



Shareholder structure of OVB Holding AG as of 31/12/2018

Euro 16.80 again. Due to the small free float of 3.01 per cent of the share of OVB Holding AG, the trading volume and thus the significance of the share price are considerably limited.

Neither OVB Holding AG nor any of the subsidiaries have issued or plan to issue debt instruments. The equity ratio of OVB Holding AG amounts to an extremely solid 48.5 per cent as of the end of 2018 and is an expression of the Company's financial strength, providing the capacity for further growth and strategic initiatives. The Company's non-current liabilities are insignificant at Euro 1.3 million. Its current liabilities exclusively serve the transaction of business operations and its liquidity is traditionally high. OVB has been reliably generating profits for its shareholders year after year.

Clients, financial agents, employees and shareholders benefit from OVB's high level of transparency and its business stability and financial solidity.

WKN / ISIN Code	628656 / DE0006286560	
Stock symbol / Reuters / Bloomberg	O4B / O4BG.DE / O4B:GR	
Class of shares	No-par ordinary bearer shares	
Number of shares	14,251,314	
Share capital	Euro 14,251,314.00	
Xetra price (closing prices)		
Prior year-end	Euro 22.065	(29/12/2017)
High	Euro 21.20	(01/03/2018)
Low	Euro 14.70	(30/08/2018)
Last	Euro 16.80	(28/12/2018)
Market capitalisation	Euro 239 million	(28/12/2018)

Combined management report 2018 of OVB Holding AG

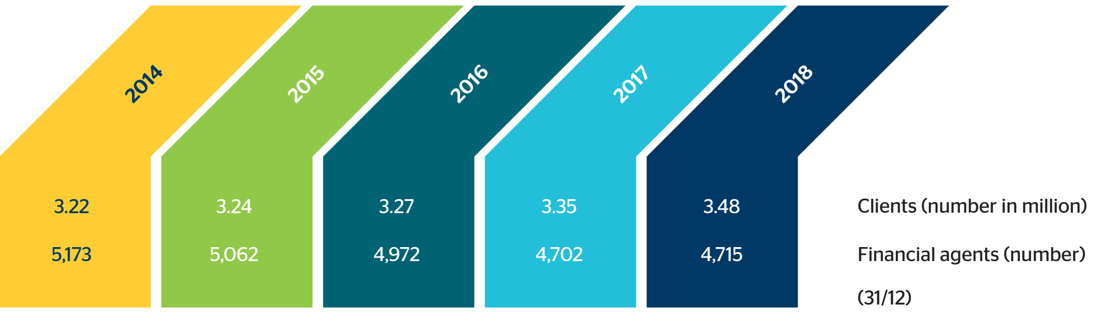
Basic information on the Group

Business model of the OVB Group

OVB stands for cross-thematic financial advice based on a long-term approach. Private households in Europe represent the key target group. The Company cooperates with more than 100 high-capacity product providers and fulfils its clients' individual needs with competitive products, starting at basic protection for financial security as well as asset and financial risk protection and followed by retirement provision, asset generation and wealth management.

OVB is currently active in 14 countries of Europe as an intermediary for financial products. 3.48 million clients place their trust in the advisory service and support provided by OVB and its more than 4,700 full-time financial agents. Its broad European positioning stabilizes OVB's business performance and opens up growth potential. OVB's 14 national markets are different in terms of structure, development status and size. OVB is a market leader in several countries. The number of senior citizens rises in Europe as the number of young people goes down. Public social security systems are increasingly unable to cope with that challenge. Therefore OVB still sees considerable potential for the services it provides.

OVB clients and financial agents



The cross-thematic advice of clients through all stages of life is based on a comprehensive, tried and tested approach: The identification and analysis of each client's financial situation form the basis of counselling. The agent particularly asks for the client's wishes and goals and then creates an individually tailored solution in consideration of what is financially possible, a solution with a long-term horizon that is both affordable and sufficiently flexible. OVB accompanies its clients over many years. Service meetings with clients are held on a regular basis in order to consistently adjust our clients' financial planning to their current situations in life. This effort results in protection and provision concepts suited to each client's demands and respective phase of life.

The professional training of the agents, the analysis of client demands and the resulting product recommendations are based on the general conditions prevailing in the respective market. The continuous advancement of these issues is given great emphasis for making OVB capable of an early response to future regulatory or qualitative requirements. The OVB Group had altogether 505 employees (previous year: 474 employees) in the holding company, the head offices of the sales subsidiaries and in the service companies at the end of 2018. They control and manage the Group based on efficient structures and processes.

Control system

Group structure
As the management holding company, OVB Holding AG is at the top of the OVB Group. The Company determines the strategic goals and aligns business policies. Business operations are divided into regional segments. Operating subsidiaries are active in 14 European countries. On behalf of these sales subsidiaries, self-employed sales agents support and advise their clients on issues of risk protection and provision. Three service companies provide IT services in support of these core business activities.

OVB Holding AG is the sole shareholder of these entities, with the exception of the two IT service providers Nord-Soft EDV-Unternehmensberatung GmbH and Nord-Soft Datenservice GmbH (50.4 per cent interest respectively).

Between OVB Holding AG and OVB Vermögensberatung AG, a profit-and-loss transfer agreement has been in effect since the year 2008 and a control agreement since the year 2014.

Organisational chart of the OVB Group

OVB Holding AG

Sales companies Central and Eastern Europe

- OVB Czech Republic
- OVB Slovakia
- OVB Poland
- OVB Hungary
- OVB Group Croatia
- OVB Group Romania
- OVB Ukraine

Sales companies Germany

- OVB Germany
- Advesto Germany
- Eurenta Germany

Sales companies Southern and Western Europe

- OVB Austria
- OVB Switzerland
- OVB Group Greece
- OVB France
- OVB Italy
- OVB Spain

Service companies

- Nord-Soft EDV-Unternehmensberatung GmbH
- Nord-Soft Datenservice Gmbh
- OVB Informatikai*

* indirect interest

Management and supervision of the Group

Executive Board
The members of the Executive Board of OVB Holding AG have joint responsibility for managing the Group's business. As of 31 December 2018 the Executive Board had three members. Apart from the position of CEO who is also responsible for "Sales", the Executive Board members' responsibilities were divided into "Finance" and "Operations".

Assignment of Executive Board responsibilities as of 31 December 2018

Chairman (CEO) Sales **Mario Freis**	Deputy Chairman Finance (CFO) **Oskar Heitz**	Operations (COO) **Thomas Hücker**
Corporate Development Corporate Management Sales Training Product Management Marketing Communication Internal Auditing	Corporate Accounting Risk Management Management Accounting Investor Relations Legal Affairs Tax Planning Compliance Data Protection Anti-Money Laundering	Group IT IT Security Process Management Human Resources

The Supervisory Board
The Supervisory Board of OVB Holding AG has six members, all of whom are elected by the General Meeting of shareholders.

Name	Function
Michael Johnigk	Chairman of the Supervisory Board
Dr. Thomas A. Lange	Deputy Chairman of the Supervisory Board, Chairman of the Audit Committee
Maximilian Beck	Member of the Supervisory Board
Markus Jost	Member of the Supervisory Board, Chairman of the Nomination and Remuneration Committee
Wilfried Kempchen	Member of the Supervisory Board
Winfried Spies	Member of the Supervisory Board

The Supervisory Board appoints the members of the Executive Board and supervises and advises the Executive Board on the Company's management. Detailed information on the cooperation between Executive Board and Supervisory Board and on corporate governance at OVB Holding AG is provided in the report of the Supervisory Board and in the chapter “Corporate governance”, both part of the Annual Report.

Corporate management

Corporate management within the OVB Group is divided into a strategic and an operating element. In the realm of strategic controlling, long-term planning with a time horizon of five years connects the corporate strategy to specific quantitative targets.

Transnational exchange of know-how supports the effective and networked management of the 14 subsidiaries. Committees of OVB Holding AG continuously coordinate market cultivation and marketing activities as well as the composition of the portfolio of partners and products with the respective OVB sales subsidiaries.

Operational management accounting supports the management of business operations. The Company’s key targets and control variables are sales (brokerage income) and earnings before interest and taxes (EBIT). Apart from these monetary indicators, non-monetary indicators such as the number of financial agents and the number of clients serve as evidence of the success of business operations as well. Performances of non-monetary indicators are constantly being monitored by the Company yet not regarded as key targets or control variables. Management accounting involves a monthly analysis of the development of income and expenses. These findings are incorporated into the Company’s investment budget and financial planning

Targets defined by the Executive Board establish the cornerstones of the strategic multi-year budget and the annual operating budget with respect to sales, costs and earnings. The decentralized planning process conducted by individual subsidiaries and cost centre managers is then aligned with the Group’s strategy in a top-down and bottom-up process. Apart from that, particularly the expenses and income budgeted for the Group are subject to a centralized evaluation process.

Budget parameters are aligned with their respective underlying measures and assumptions and made transparent for each business unit as well as for the Group as a whole. Starting points are the current distribution and financial data as of the end of the third quarter prior to the budget period.

In a first step, the basic data available at the start of budgeting are adjusted for significant events that will probably have no more relevance for the planning period. Then the planned measures are incorporated into the basic data in the shape of cost and revenues.

OVB prepares monthly target/actual deviation analyses, continuously updates material financial and distribution data and is thus able to respond to deviations from the budget immediately.

Within the OVB Group, medium and long-term financing of business operations is ensured by the available liquidity.

OVB Holding AG as the Group’s parent continuously monitors the 14 subsidiaries’ demands for liquidity and makes liquid assets available if necessary.

Goals and strategies

Against the backdrop of predictable changes in the environment, the markets and the legal framework of the Company's business, OVB has been working since 2017 at implementing a new medium-term strategy, "OVB Evolution 2022". It is oriented towards a long-term vision as a benchmark, defines strategic goals and comprises four basic cornerstones, each connected to specific strategic measures.

OVB has defined strategic goals, comprising the sustainable development of the sales organization, the expansion of the client base, increasing the business volume with the individual clients, raising the client satisfaction level, expanding online marketing activity, further efficiency improvements in back-office operations, the digitization of processes and sales support as well as an expansion to new national markets in Europe. According to "OVB Evolution 2022", four cornerstones will support the achievement of these goals:

- Realization of potential
- Digitization
- Modernization
- Expansion

With respect to "Realization of Potential", great significance is attached e.g. to the ongoing development of the Europe-wide professional training system. OVB will further advance and update the professional training system across Europe, not only due to regulatory requirements but also based on the Company's own high quality standards. OVB will also further keep tapping the business potential represented by its 3.48 million existing clients systematically. There is considerable potential for cross-selling and upselling activities throughout Europe. Free resources and the demand for private provision are rising especially in the national markets of the Central and Eastern Europe segment due to above-average increases in income. With respect to "Digitization", OVB focuses primarily on its business processes, the agent's modern work-place as well as enhanced options for interaction between clients, financial agents and OVB. A contemporary target group appeal is at the core of "Modernization". Developing and expanding social media activities within the scope of our social media strategy provides additional opportunities for acquiring both staff and clients. "Expansion" stands primarily for the transfer of the tried and tested OVB business model to new, attractive national markets. The acquisition of long-established company Willemot in Belgium in December 2018 indicates a significant step in that direction. The closing of this transaction is still pending. OVB will thus create the basis for a strong and swift market entry into the 15th national market.

More than 400 million people live in the 14 countries of Europe in which OVB currently operates. Because of imperative private provision to be taken on one's own initiative and the demand for advisory service derived from that, OVB sees good prospects for its business. In winning new financial agents, OVB counts on finding and qualifying people willing to perform for the responsible task of "allfinanz" advisory service in order to fulfil the increasing demand for financial advice among the people in Europe.

Business report

Macroeconomic and industry-related general conditions

Macroeconomic development
OVB operates in 14 European countries, divided into three regional segments. OVB generates 74 per cent of its brokerage income outside Germany. Against this backdrop, it is important to observe the macroeconomic development in Europe for an assessment of the 2018 business performance. Among the relevant factors are economic growth, the development of the job market and changes in the income of private households.

Economic growth in the countries of the euro area has slowed down considerably from 2.5 per cent in 2017 to 1.9 per cent in the reporting year. Generally speaking, private consumer spending lost part of its economic drive despite consistently high employment rates; in addition to that, the first adverse effects of the international trade conflicts have become noticeable.

Key economic data Central and Eastern Europe
The seven national markets of the Central and Eastern Europe segment accounted for 50 per cent of the OVB Group's sales in the year under review. Despite minor country specific differences, the region maintained its altogether high economic dynamics. Private consumer spending was an essential driving force aided in effect by significantly increased investments, supported by the EU Structural Funds in many cases. Unemployment rates in the region are among the lowest in all the EU. The resulting manpower shortage is increasingly slowing down the growth potential for this group of countries. The macroeconomic conditions in the region of Central and Eastern Europe were in favour of OVB's business in 2018.

	Real GDP (change in %)		Consumer prices (change in %)		Public budget balance (in % of GDP)	
	2017	2018e	2017	2018e	2017	2018e
Croatia	2.9	2.6	1.1	1.6	0.9	-0.5
Czech Republic	4.5	2.9	2.5	2.2	1.6	0.5
Hungary	4.1	4.6	2.4	2.9	-2.0	-2.4
Poland	4.8	5.0	2.0	1.7	-1.7	-0.9
Romania	7.0	4.1	1.3	4.6	-2.9	-3.2
Slovakia	3.2	4.4	1.3	2.6	-0.8	-0.6
Ukraine	2.5	3.2	14.5	11.1	-1.6	-2.0

e = estimate
Source: Raiffeisen RESEARCH, Strategy Austria & CEE, 1st Quarter 2019

Key economic data Germany
The Germany segment accounted for 26 per cent of the OVB Group's sales in the year under review. Germany's economy grew by 1.4 per cent in 2018, according to calculations supplied by the Federal Statistical Office, after 2.2 per cent in the year before. Private and public consumer spending as well as investments were the reporting year's essential growth drivers. However, gains fell short of the previous years' increases. The number of people in employment came to 44.8 million, another record number. Public budgets scored a record surplus. At modest price increases and high increases in wages and salaries, the disposable income of private households gained 3.2 per cent.

Key economic data Southern and Western Europe
The countries of the Southern and Western Europe segment belong to the eurozone, with the exception of Switzerland. In this segment, OVB generated 24 per cent of total sales in the year under review. Economic growth slowed down noticeably in this group of countries, due in part to decreasing net exports as well as negative country-specific factors. The economies of Italy and also increasingly of France were affected by structural problems left unsolved over many years. The economies of Switzerland and Austria performed relatively well. Generally speaking, the private households have sufficient resources at their disposal in many cases for spending more money on risk protection and retirement provision.

	Real GDP (change in %)		Consumer prices (change in %)		Public budget balance (in % of GDP)	
	2017	2018e	2017	2018e	2017	2018e
Austria	2.6	2.6	2.2	2.1	-0.8	-0.2
Belgium	1.7	1.5	2.2	2.1	-0.9	-1.0
France	2.3	1.6	1.2	2.1	-2.7	-2.6
Greece	1.4	2.0	1.1	0.8	0.8	0.6
Italy	1.6	0.9	1.3	1.2	-2.4	-1.9
Spain	3.0	2.5	2.0	1.8	-3.1	-2.7
Switzerland	1.7	2.7	0.5	1.0	0.3	1.2
Eurozone	**2.5**	**1.9**	**1.5**	**1.8**	**-1.0**	**-0.6**

e = estimate
Source: Raiffeisen RESEARCH, Strategy Global Markets, 1st Quarter 2019

Industry situation
OVB's business focuses on providing cross-thematic advice and support to private households for the long term with respect to basic protection, asset and financial risk protection, retirement provision and asset generation as well as wealth management.

Macroeconomic conditions for the sale of financial products in Europe remained rather favourable in the year 2018. All of the countries reported positive economic performances. Thus disposable income of private households generally went up, and so did resources for taking measures for one's own financial provision.

However, the sale of financial products in Europe continued to face a challenging environment. The persisting low interest rate phase makes it difficult to build up assets for private provision. Many financial products only have a minimum return at present which is then consumed by slowly increasing prices entirely or in part. Insurance companies have adapted their product portfolios to the low-interest rate environment. Many of them do not offer classic fixed-interest pension insurance anymore. Yet opportunities for growth remain for products that cover retirement, life insurance, need for care and occupational disability. In high demand are also unit-linked pension and life insurance, occupational pension schemes and mutual funds based on shares, loans or real property.

OVB is sure that the demand for cross-thematic, competent and comprehensive personal advice on all kinds of financial matters is increasing: The product offering for private households is almost inscrutable and state support plans are hard to comprehend. In addition to that, financial decisions once made must be routinely reviewed and adapted, if necessary, to changing needs and situations in life.

From OVB's vantage, the market for private risk protection and provision therefore offers long-term market potential and sound opportunities for growth despite the currently challenging environment.

Business performance

In financial year 2018, the OVB Group generated total sales commission in the amount of Euro 231.3 million. This equals a 2.7 per cent increase over the prior-year amount of Euro 225.3 million. Most national markets reported positive performances.

The development of the number of supported clients was satisfying, climbing from 3.35 million clients at the end of 2017 to 3.48 million clients as of the reporting date. The OVB sales force comprises 4,715 full-time financial agents (previous year: 4,702 financial agents).

The structure of new business with respect to the type of brokered financial products reflects the focus of advisory services on basic protection for financial security, asset and financial risk protection, retirement provision and asset generation and wealth management. Unit-linked provision products continued to dominate the clients' demand throughout Europe. However, this product group's share in the new business dropped from 41.3 per cent in the previous year to 37.0 per cent in the year 2018. Other provision products – primarily classic life and pension insurance policies and particularly products for protection against biometric risks – amounted to 22.6 per cent of the new business after 20.0 per cent in the previous year. Property, legal expenses and accident insurance (with a share of 12.2 per cent after 11.7 per cent), building society savings contracts/financing (with a share of 12.1 per cent after 11.2 per cent) and state-subsidized provision products (8.8 per cent of the business brokered in 2018 after 9.6 per cent in the previous year) complete the comprehensive "allfinanz" advisory approach in addition to investment funds, health insurance and real property.

Breakdown of income from new business 2018 (2017)

Unit-linked provision products
37.0 % (41.3 %)

State-subsidised provision products
8.8 % (9.6 %)

Building society savings contracts/financing
12.1 % (11.2 %)

Property, legal expenses
and accident insurance
12.2 % (11.7 %)

Health insurance
2.7 % (2.4 %)

Investment funds
4.4 % (3.6 %)

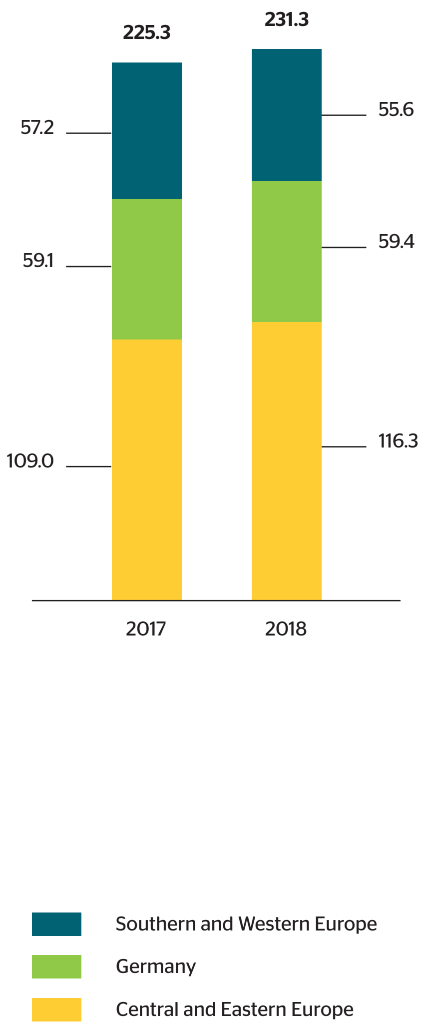
Other provision products
22.6 % (20.0 %)

Real property
0.2 % (0.2 %)

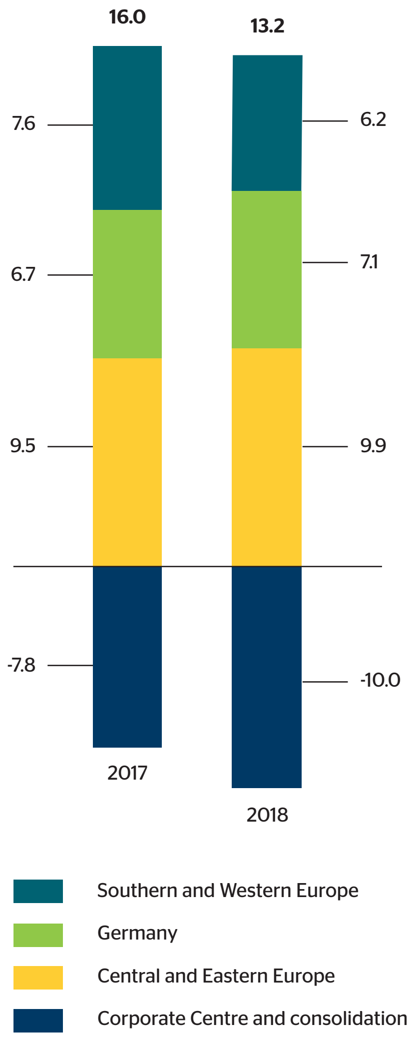
Central and Eastern Europe segment
The Central and Eastern Europe segment comprises the seven national markets Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia and Ukraine. In financial year 2018, brokerage income went up 6.7 per cent to Euro 116.3 million after Euro 109.0 million the year before when the 2017 group management report had predicted a modest sales decline. While the sales performance was indeed declining in the Czech Republic, OVB achieved significant sales growth in the segment's other national markets. 2,752 financial agents worked for OVB in the region at year-end 2018, compared to 2,753 financial agents twelve months before. They supported altogether 2.4 million clients (previous year: 2.3 million clients).

Product demand continued to focus on unit-linked provision products at 42.9 per cent of new business in 2018 (previous year: 49.9 per cent), however at a declining rate. Other relevant product groups were other provision products at 23.9 per cent (previous year: 18.7 per cent), products in the category of building society savings contracts/financing at 13.6 per cent (previous year: 13.1 per cent) and property, legal expenses and accident insurance at 12.9 per cent (previous year: 12.0 per cent).

Total sales commission by region
Euro million, figures rounded



Earnings before interest and taxes (EBIT) by segment
Euro million, figures rounded



Germany segment
Business in the Germany segment turned out better than predicted in the 2017 group management report. Brokerage income amounted to Euro 59.4 million in the year under review after Euro 59.1 million in the previous year. The number of financial agents went up from 1,296 at prior year-end by 2.9 per cent to 1,333 financial agents as of the reporting date. They supported 616,775 clients (previous year: 623,138 clients). Product demand was widely diversified: 28.2 per cent of the new business was accounted for by unit-linked provision products (previous year: 31.8 per cent), 18.0 per cent by other provision products (previous year: 18.5 per cent), 14.8 per cent by property, legal expenses and accident insurance (previous year: 15.4 per cent) and 15.3 per cent came to products in the category building society savings contracts/financing (previous year: 14.2 per cent). The share in new business attributed to the sale of investment funds was up from 4.5 per cent to 7.4 per cent.

Southern and Western Europe segment
The Southern and Western Europe segment comprises the six national markets Austria, France, Greece, Italy, Spain and Switzerland. Brokerage income came to Euro 55.6 million here after Euro 57.2 million in the previous year. A slight sales increase had been predicted in the 2017 group management report. Sales growth was achieved in Austria, Switzerland, France and Greece while Italy and Spain reported significantly declining sales. The number of financial agents working in this segment went down from 653 to 630 agents. They supported 481,283 clients as compared to 453,044 clients one year before.

With a share in new business of 32.1 per cent (previous year: 30.2 per cent), unit-linked provision products topped the list, followed by state-subsidized provision products at 25.8 per cent (previous year: 28.5 per cent) and other provision products at 24.2 per cent (previous year: 24.1 per cent).

Profit/loss, financial position and assets and liabilities of the OVB Group

Profit/loss
The OVB Group generated brokerage income of Euro 231.3 million in financial year 2018. This equals a 4.4 per cent increase compared to the prior-year amount of Euro 221.6 million. Including so-called secondary contracts, direct contractual relationships between product partners and the sales force in the Germany segment, disclosed in 2017 for the last time and finally transferred to OVB Vermögensberatung AG as of the end of September 2017, 2017 total sales commission came to Euro 225.3 million. On this base of comparison, the OVB Group achieved a sales increase of 2.7 per cent in 2018. Other operating income gained 17.8 per cent from Euro 9.7 million in 2017 to Euro 11.4 million in the year under review. This development is connected to increased income from the reversal of valuation allowances for receivables, income from cancelled obligations and reimbursements made by financial agents e.g. for IT expenses or training expenses.

Brokerage expenses were up 4.8 per cent from Euro 148.0 million in 2017 to Euro 155.1 million in the year under review. This increase resulted from the sales increase as well as the transfer of secondary contracts. Personnel expense expanded by 6.5 per cent from Euro 28.0 million to Euro 29.8 million as scheduled. Reasons for this were new hires within the context of regulatory requirements and strategic measures as well as market-related salary increases. Depreciation and amortization went up insignificantly from Euro 4.1 million to Euro 4.3 million. Other operating expenses climbed 14.9 per cent from Euro 35.2 million to Euro 40.5 million, corresponding in part to the increase in other operating income.

The OVB Group's operating result (EBIT) dropped from Euro 16.0 million in 2017 by 17.6 per cent to Euro 13.2 million. The EBIT contribution of the Central and Eastern Europe segment went up year-on-year, despite the initially anticipated slowdown, from Euro 9.5 million to Euro 9.9 million. Declining earnings in the Czech Republic and Ukraine were compensated by improved earnings reported by the segment's other national sales subsidiaries. The Germany segment's EBIT also reported an increase contrary to initial expectations, from Euro 6.7 million to Euro 7.1 million. In the Southern and Western Europe segment, the performance of earnings was highly diverse in 2018. While the EBIT was declining in Spain, Italy and Greece, the national market Austria showed a virtually stable performance. France and Switzerland achieved increases in earnings. In total, the EBIT of the Southern and Western Europe segment, for which an increase had been anticipated at the beginning of the year 2018, went down from Euro 7.6 million to Euro 6.2 million.

The EBIT loss reported for Corporate Centre expanded from Euro 7.8 million in 2017 to Euro 10.1 million, a higher loss than expected. Reasons were increased expenses for the implementation of strategic measures and compliance with regulatory requirements. The Group's EBIT margin based on brokerage income went down from 7.2 per cent to 5.7 per cent.

Increased finance expenses resulted in a slightly negative financial result of Euro -0.3 million in 2018 (previous year: Euro 0.4 million). Income tax expenses dropped from Euro 4.0 million to Euro 3.1 million. Consolidated net income after non-controlling interests dropped altogether from Euro 12.1 million in 2017 to Euro 9.6 million in the year under review. Earnings per share based respectively on 14,251,314 no-par shares accordingly went down from Euro 0.85 to Euro 0.67.

The OVB Group's total comprehensive income reached Euro 9.5 million for the reporting year after Euro 11.6 million for the previous year. This development results primarily from the decrease in consolidated net income by Euro 2.5 million. Reduced negative effects from changes in currency translation reserve and changes from the revaluation of available-for-sale financial assets outside profit or loss had an opposite effect on earnings.

Executive Board and Supervisory Board will probably propose to the Annual General Meeting on 14 June 2019 to adopt the resolution for the payment of a dividend of Euro 0.75 per share for financial year 2018, unchanged from the previous year. The total dividend payment would thus amount to Euro 10.7 million.

Financial position
The OVB Group's cash flow from operating activities in 2018 went up by Euro 1.7 million compared to the previous year. The cash inflow reached Euro 15.5 million after Euro 13.8 million the previous year. Positive effects year-on-year were essentially the increase in provisions and a lesser increase in trade receivables and other assets. Furthermore, unrealized exchange rate losses and a reduced financial result had a positive effect on the cash flow as well. Particularly the decrease in consolidated net income and a lesser increase in trade payables and other liabilities had an adverse effect on cash flow.

The cash outflow from investing activities amounted to Euro 13.2 million in the 2018 financial year after Euro 17.6 million in the previous year. The deciding factor in this development were dispositions in the portfolio of securities and capital investments: Payments for spending on securities and other short-term capital investments dropped from Euro 23.0 million in the previous year to Euro 6.6 million in the reporting year. Contrary to that, payments for non-current financial assets went up from Euro 0.2 million to Euro 7.1 million. Payments from the disposal of securities and other short-term capital investments went down as well, from Euro 8.6 million to Euro 3.8 million. The Company invested Euro 4.0 million in tangible and intangible non-current assets, compared to Euro 4.3 million in the previous year.

The cash flow from financing activities was determined solely by the distribution of the dividend both in the reporting year and the previous year, amounting to Euro 10.9 million (previous year: Euro 10.8 million).

As the sum of these developments, the OVB Group's cash and cash equivalents dropped by Euro 9.0 million, from Euro 55.5 million at the end of 2017 to Euro 46.5 million as of the 2018 reporting date.

Assets and liabilities
The Group's total assets went up from Euro 173.0 million at year-end 2017 by Euro 13.3 million to Euro 186.3 million as of the 2018 reporting date.

Non-current assets increased from Euro 23.4 million to Euro 30.0 million, caused solely by an increase in financial assets carried out in 2018.

Current assets went up from Euro 149.6 million to Euro 156.3 million. This development was determined primarily by an increase in receivables and other assets by Euro 10.9 million to Euro 34.5 million (previous year: Euro 23.6 million) in connection with the first-time recognition of contract assets from subsequent commission. Trade receivables as well as securities and other capital investments were up in the reporting year, too. Contrary to that, cash and cash equivalents went down from Euro 55.5 million by Euro 9.0 million to Euro 46.5 million. The increase in total assets was thus driven equally by an expansion of non-current and current assets.

The Group's equity went up insignificantly in financial year 2018 from Euro 89.2 million to Euro 90.4 million, due to the remaining increase in retained earnings after distribution of the dividend by Euro 1.5 million to Euro 22.6 million (previous year: Euro 21.2 million). At 48.5 per cent (previous year: 51.6 per cent), the equity ratio remains at a very solid level. The highly insignificant non-current liabilities by comparison gained slightly by Euro 0.2 million to Euro 1.2 million, due primarily to an increase in deferred tax liabilities. Current liabilities serving the financing of business operations expanded by Euro 11.8 million to Euro 94.6 million (previous year: Euro 82.8 million). Recognition of contract liabilities from subsequent commission resulted in an increase in other provisions by Euro 10.0 million to Euro 40.9 million (previous year: Euro 30.9 million). Apart from that, trade payables gained Euro 2.0 million and other liabilities were up by Euro 0.6 million.

Comparison between forecast and actual development

In the outlook of the 2017 combined management report, released on 23 March 2018, the Executive Board had expressed its expectation that consolidated sales for the 2018 financial year would decrease slightly compared to 2017 at different market specific trends in individual countries.

At that time, a decrease in the operating result (EBIT) to between Euro 13.0 million and 13.5 million was anticipated, owing to rising capital expenditures within the framework of implementing the strategy "Evolution 2022". In the outlook sections of the three-month and six-month reports of financial year 2018, the Executive Board stood by this forecast. In the 2018 nine-month report, published on 9 November 2018, the Executive Board adjusted its sales forecast in view of a satisfying business performance over the first nine months of 2018 to the effect that now a slight growth in sales was expected for the full year. The earnings forecast remained unchanged.

Brokerage income achieved by OVB Holding AG in financial year 2018 gained 2.7 per cent compared to the prior-year total sales commission, reported for financial year 2017 for the last time. The operating result (EBIT) reached Euro 13.2 million. Thus sales forecast, adjusted during the financial year, and earnings forecast were met.

Profit/loss, financial position and assets and liabilities of OVB Holding AG

OVB Holding AG is the parent and management holding company of the OVB Group. It directly and indirectly holds the shares in the entities that are part of the OVB Group and performs a range of tasks for the Group involving planning, management accounting, communication, marketing, IT, compliance and risk management.

Profit/loss of OVB Holding AG as the Group's holding company is essentially determined by income from the holdings.

Personnel expense for the holding company's 94 employees on average (previous year: 80 employees) increased in the reporting period from Euro 8.4 million to Euro 9.3 million.

The separate financial statements of OVB Holding AG have been prepared in accordance with the provisions of the German Commercial Code (HGB) in consideration of the supplementary provisions of the German Stock Corporation Act (AktG). Provisions for large corporations apply.

Profit/loss

EUR'000	2018	2017
Sales	11,760	10,724
Income from investments (in affiliated companies)	12,851	12,493
Profits received under a profit-and-loss transfer agreement	6,853	6,650
Net income	10,103	11,870

OVB Holding AG generated investment income in the total amount of Euro 12.9 million in the reporting year (previous year: Euro 12.5 million). The profit received from German subsidiary OVB Vermögensberatung AG under profit-and-loss transfer agreement amounted to Euro 6.9 million in the year under review (previous year: Euro 6.6 million).

Earnings after taxes on income and profits of OVB Holding AG came to Euro 10.1 million in financial year 2018 (previous year: Euro 11.8 million). The reporting year's net income was Euro 10.1 million (previous year: Euro 11.9 million).

Assets and liabilities and financial position

EUR'000	31/12/2018	31/12/2017
Non-current assets	37,952	34,672
Current assets	51,718	55,597
Equity	85,099	85,684
Provisions	3,440	3,464
Liabilities	1,291	1,225

Total assets of OVB Holding AG were reduced from Euro 90.4 million at the end of financial year 2017 to Euro 89.8 million at the end of the year under review.

The assets of OVB Holding AG essentially comprise shares in and receivables from affiliated companies predominantly refinanced by equity.

The asset structure is virtually unchanged from the previous year.

The item receivables from affiliated companies essentially includes dividend claims and receivables from ongoing clearing transactions.

The capital structure of OVB Holding AG is characterized by a solid equity base: The Company's equity amounted to Euro 85.1 million at year-end 2018 (previous year: Euro 85.7 million). The Company's equity ratio went down insignificantly from 94.8 per cent to 94.7 per cent.

Liquidity and dividend
As of the reporting date, the Company has liquid assets of Euro 12.8 million at its disposal (previous year: Euro 16.8 million). The decrease in liquid assets results from increased operating expenses due to the strategy implementation and regrouping of financial assets. In 2018 a dividend of Euro 0.75 per share was paid out for financial year 2017 (total volume Euro 10.7 million).

Dividend payments are made depending on the Company's financial position and profitability. Executive Board and Supervisory Board will probably propose to the Annual General Meeting on 14 June 2019 the payment of a dividend of Euro 0.75 per share, unchanged from the previous year, from the retained earnings of OVB Holding AG. As of 31 December 2018, altogether 14,251,314 shares were entitled to dividend. That resolution being adopted by the Annual General Meeting, the dividend payout of OVB Holding AG for financial year 2018 will amount to Euro 10.7 million.

The Executive Board's overall statement on the 2018 business performance

Sales of the OVB Group were up by 2.7 per cent in 2018 compared to 2017 total sales commission, thus performing better than initially anticipated. Once again, the OVB business model has proved its stability and potential even under challenging general conditions. Targeted investments and increased expenses within the framework of the strategy "OVB Evolution 2022" serve strengthening the Company's future competitiveness.

The 2018 business performance also brought about a scheduled decrease in the operating result (EBIT). Thus our expectations for financial year 2018 have been fulfilled.

Report on opportunities and risks

Opportunity management

OVB's corporate culture attaches great importance to entrepreneurially-minded thinking and acting. Particularly OVB's self-employed financial agents consider themselves entrepreneurs.

Therefore all OVB financial agents and employees take continuously seeking and seizing business opportunities for granted, regardless of their respective area and scope of responsibility. The OVB Group's sales subsidiaries are required to identify opportunities at the level of operations and to exploit them with the goal of achieving an above-target performance of earnings if possible. Such opportunities may arise e.g. in the context of broking activity or due to improved market conditions. OVB Holding AG identifies strategic opportunities. They are evaluated and measures are developed for exploiting them. It is also the responsibility of the Executive Board of OVB Holding AG to routinely discuss strategic opportunities – in collaboration with the Supervisory Board in many cases – and to take adequate initiative for seizing those opportunities.

Principles and goals of risk management

Entrepreneurial activity is inconceivable without taking risks. For OVB, risk means the threat of possible losses or missed profits.

Such exposure can be caused by internal or external factors. Arising risks should be detected as soon as possible in order to allow for a swift and adequate response. The objectives of risk management are the continuous advancement of the implemented early warning system, systematic preoccupation with existing and potential risks and the promotion of risk-oriented thinking and acting within the entire organization and thus a deliberate risk-taking policy based on the comprehensive knowledge of risks and risk connections. OVB pays attention to keeping a balanced ratio between opportunities and risks.

Structure and process of risk management

The organization of risk management, the methods applied and the processes implemented are put down in writing in the Group's general guidance and made available to all employees who assume responsibility in this field. Standardized risk management processes make sure Executive Board and Supervisory Board are informed in a structured way and in good time about the Group's present risk position.

The Executive Board of OVB Holding AG is responsible for directing the corporate strategy. In collaboration with the management teams of the subsidiaries, the Executive Board determines the Europe-wide strategy for business operations and the risk strategy derived from that.

All operating subsidiaries are obligated to implement and continually review a risk management system based on guidance defined by the Group while taking into account the specific business of the respective subsidiary. Early warning indicators are defined and continuously monitored. An important component of risk management is the system for early risk detection, subject to constant adjustment to new developments, which aggregates identified individual risks into risk categories and assigns each risk to a risk management officer.

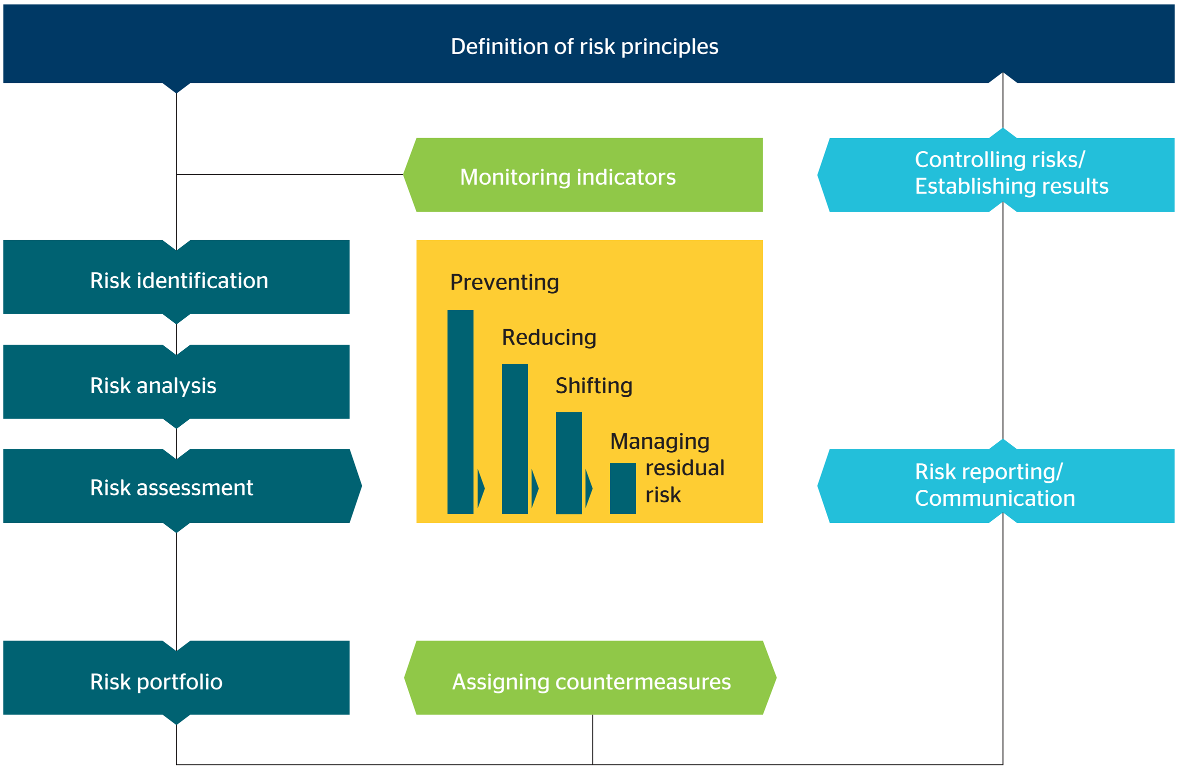
Material risks are identified, quantified and the measures taken are documented by the respective risk manager of the business divisions or rather by the decentralized risk managers of the operating subsidiaries in annual risk inventory processes.

Apart from the direct exchange of information between the Chief Risk Manager and the Executive Board, standardized risk reports are delivered to the Executive Board and the Supervisory Board, explaining OVB's current risk position. Thresholds and reporting protocols have been defined within the scope of risk reporting. Risk analyses are conducted initially at the level of the subsidiaries and the individual areas of responsibility. Routine reporting of the various divisions of the holding company and the subsidiaries is condensed to Group-wide, current and, if necessary, immediate reporting to the Executive Board and the Supervisory Board by the holding company's Chief Risk Manager. At the core of the Group's risk report is the Group's "risk cockpit" where the material risks of the subsidiaries are presented and aggregated into risks at Group level.

Group-wide consultations and regular coordination with the executives of the sales force complement this early warning system. In addition to that, the holding company's Chief Risk Manager is also informed directly by way of ad hoc risk notifications in cases of urgency outside the usual reporting channels.

Within the framework of corporate planning, OVB assesses the potential risks before material business decisions are made while reporting allows for an adequate monitoring of such risks in the context of business activity.

OVB risk management process



An efficient management accounting process supports the early detection of going-concern risks.

Further elements of the risk management system are internal auditing and compliance management, assuming monitoring and control functions throughout the Group.

Internal Auditing works on behalf of the Group's Executive Board as an independent body responsible for internal auditing throughout the Group. Internal Auditing also operates autonomously with respect to reporting and the evaluation of audit findings. On the basis of its annual audit schedule, Internal Auditing regularly audits the holding company as well as domestic and international subsidiaries with a focus on risks and controls the resolution of its audit findings. It monitors compliance with the relevant statutory requirements and assesses the risk management, control, management and monitoring systems and processes relevant to financial accounting and advises on their constant improvement.

The paramount goal of compliance management is to prevent or minimize risks from non-compliance with applicable law, internal standards and processes by taking preventive action.

Development of risk management

The risk management system's constant advancement is a key prerequisite to the option of a timely response to changing general conditions of potential direct or indirect impact on the assets, liabilities, the financial position and profit/loss of OVB Holding AG.

An ongoing exchange of information with the decentralized risk managers assures that any new findings will be incorporated into risk management, thus safeguarding its advancement.

In addition to that, training measures are an essential element for constantly updating the expertise of the staff involved in these processes.

Risk management of OVB Holding AG is also subject to routine reviews conducted by Internal Auditing. Audit reviews contribute to monitoring the risk management system and produce insight based on which quality is improved and the development of risk management progresses is advanced. Apart from risk inventory, all measures for the early detection, management and control of risks were analyzed, adjusted and enhanced in response to internal and external developments within the scope of the annual review in the course of the year 2018.

Internal control system with respect to financial accounting

The internal control system comprises the principles, methods and measures for ensuring the effectiveness and economic efficiency of business activity, truth and fairness in financial accounting and compliance with the applicable legal regulations. Part of this system is Internal Auditing insofar as it focuses on financial accounting. Like the risk management system of which it is a component, the internal control system with respect to financial accounting addresses the control and monitoring processes in financial accounting, particularly relating to those items in the statement of financial position that reflect the Company's risk protection.

Key features of the internal control system with respect to financial accounting:

- Clear management and corporate structure: OVB Holding AG provides the centralized management of inter-divisional key functions while the Group's individual companies maintain a large degree of autonomy
- Proper separation of functions and observance of the four-eye-principle as basic principles
- Clear separation and assignment of responsibilities with respect to areas materially involved in financial accounting, namely Local Accounting, Tax, Group Accounting and Management Accounting
- Protection against unauthorized access to any of the systems used in financial accounting
- Utilization of standard software in the financial systems involved
- Adequate guidance system (e.g. Group handbook, payment guidelines, project management guidelines, purchasing guidelines, Code of Conduct, etc.) subject to constant updates
- Adequate equipment in response to the requirements of all departments and divisions involved in the financial accounting process in terms of both quality and quantity
- Clearly defined workflows as well as documentation and tracking of all matters subject to accounting for the purpose of complete financial reporting reviewed for correctness
- Ensuring that accounting records are checked for mathematical and factual correctness; payment runs shall observe the four-eye-principle
- Monitoring committees (e.g. Internal Auditing and the Audit Committee of the Supervisory Board) have been established for the purpose of compliance and reliability of internal accounting and financial reporting
- Routine checks of financial accounting processes for risks by process-independent Internal Auditing

The internal control system with respect to financial accounting ensures as part of the risk management system that business matters and transactions are correctly recorded, processed, evaluated and transferred to financial accounting.

Adequate manpower, the use of appropriate software and clear statutory and corporate guidelines are the basis for a correct, consistent and continuous financial accounting process. The clear separation of areas of responsibility and various sub-sequent control and audit mechanisms safeguard correct and responsible financial accounting.

Thus it is assured in the individual case that business transactions are recorded, processed and documented in compliance with statutory regulations, the Articles of Association and internal guidance, and that they are entered correctly and promptly in financial reporting. It is ensured at the same time that assets and liabilities are correctly recognized, reported and measured in the separate financial statements and consolidated financial statements and that dependable and relevant information is completely and promptly made available as a basis.

Presentation of opportunities and risks

The following is a description of opportunities and risks that could have material beneficial or adverse effects on OVB's assets and liabilities, financial position and profit/loss. Please refer to section 3.5 of the notes to the consolidated financial statements, “Objectives and methods of financial risk management”, for additional quantitative disclosures relating to financial instruments in accordance with IFRS 7.

Macroeconomic opportunities and risks
OVB's business environment is affected by changes in the economic and political framework. OVB observes the political, regulatory and economic developments in the markets it operates in and utilizes external market analyses and the know-how of external experts and analysts in order to review the strategic and operational orientation in view of such developments.

This also applies for the opportunities and risks associated with the development of new markets.

OVB's plans for further expansion depend on orderly political and legal conditions prevailing in the respective country and on an economic environment that gives rise to expectations that OVB will be able to profitably forge ahead with its business activities within a timeframe that appears reasonable given the respective market conditions.

In view of the specific risks associated with the economic development, the broad regional positioning of the OVB Group within Europe, able to compensate market risks and downturns in individual countries with opportunities in other markets, plus a broad client base generally help mitigate risks. Accordingly the dependence of the Group's business performance on individual national markets has diminished over the past years.

At the same time, OVB's international orientation opens opportunities for participation in particularly favourable developments of individual markets. The diversification of business activities across highly varied products designed to facilitate basic protection, asset and financial risk protection as well as retirement provision, asset generation and wealth management, tailored to the respective situation in the relevant markets, also helps offset risks at least in certain sub-segments.

Great Britain's probable exit from the European Union and potential effects on the OVB Group remain to be seen. At present, OVB assumes neither additional opportunities nor risks. A possible economic slowdown in Europe due to the so-called Brexit might have a minor effect on OVB's business.

Opportunities and risks from the development of Company-specific factors of value
Company-specific value factors for the business success of the OVB Group's companies are the expansion of the sales team, the development of the number of clients and the structure and quality of the advisory and brokerage business.

OVB focuses on providing advice and support primarily to private households with average to higher incomes in all of the national markets in which it operates.

Winning new clients and maintaining long-term client relationships are essential factors of success.

The development of income and consumer demand of the private households in Europe remained on the rise in 2018. This opens the opportunity for expanding the sale of financial products. On the other hand, the average income of private households is quite different in the 14 countries in which OVB operates.

On the whole, OVB sees demand for its services and thus sufficient potential for new business in all countries in which OVB subsidiaries operate due to the continuing necessity of private provision and particularly in view of the demographic trend.

The continuous development of the sales force and the long-term commitment of a sufficient number of motivated and competent financial agents are further factors for OVB's business success and future growth. Demographic effects may generally have a negative effect on winning new financial advisors. The development of the number of agents is the subject of periodic reporting.

Positive or negative trends are constantly being analyzed and assessed by management with regard to their effects. Potential turnover of financial agents in times of a consolidating industry provides both opportunities and risks.

Based on its many years of experience, OVB finds itself capable of countering any potential advisor turnover and committing new financial agents as well.

Among such measures are transparent contracts, a competitive commission model for the sales force and international career opportunities.

At the same time, the group companies place great emphasis on the professional training and further education of their financial agents.

Industry-specific opportunities and risks
OVB faces industry-specific opportunities and risks particularly in connection with changes in the markets for pension provision, health care, investments and financing. Tax and socio-political conditions, developments in the capital market and a host of new regulatory requirements all influence OVB's business.

With Regulation (EU) 2016/97 (IDD; Insurance Distribution Directive), the European Union defines a uniform level of requirements for the brokerage of insurance products within the EU. It targets increased consumer protection as well as promoting market integration.

Of particular relevance to OVB is the implementation of the regulation by the member states concerning rules of conduct, transparency provisions and professional training requirements. After the effective date of the IDD had first been postponed, it came into force in the year 2018 in most European countries.

The IDD neither provides for a general prohibition of commission-based distribution nor a cap; however, further regulation of commission cannot be ruled out.

In order to achieve further harmonization of the financial markets in the European Single Market, as of 3 January 2018 MiFID II Regulation 2014/65/EU superseded its predecessor on markets in financial instruments. MiFID II aims at a further strengthening of consumer protection and the restructuring of the markets for securities and derivatives. This Regulation also had to be transformed into national law by the member states.

Generally speaking, an intensifying regulation of the financial services market cannot be ruled out as the European regulations keep defining evaluation assignments. Improving investor protection by raising the bar for transparency, client information and advisory service documentation requirements can be expected. Not least the obligation to disclose costs and commission amounts are a challenge to classic commission-based advisory service as well.

OVB constantly monitors and analyzes particularly the political decision-making processes in order to be able to evaluate the effects on its business model and the strategic positioning in the national markets early on. There is the constant risk that new regulation might slow down private protection and provision measures contrary to the initial regulatory intent.

For OVB there is the opportunity that the Group, due to its broad European positioning, its experience of many years, its competent employees and its pronounced financial strength, might fulfil increasing regulatory requirements in a better and more efficient way than smaller market participants. From this scenario, advantages might result for OVB in the competition and in the industry's consolidation process.

OVB has a broad portfolio of high-capacity product partners. The Company brokers financial products provided by more than 100 insurance companies, investment trusts, building societies and banks. Based on this portfolio, it is possible to choose and realize the optimal product offers and concepts for each single client.

The risk associated with product selection is contained by working with renowned and internationally experienced product providers based on partnerships with a long-term horizon and by consulting external analysts.

OVB identifies client needs and market trends through extensive market research and then uses its findings to develop competitive products tailored to the clients' needs in cooperation with the product partners. OVB ensures the quality and competitiveness of its product portfolio throughout Europe by maintaining an ongoing communication process with the partners.

OVB combats the risk of diminishing product appeal by continually monitoring client feedback. Committees liaise with the financial agents and process their experiences and suggestions for improving and developing the product portfolio and the associated support services.

OVB can at least partially compensate for declining turnover of individual products through higher turnover of other products.

The premium-select strategy is an important component of OVB's corporate strategy. Especially close cooperation with high-capacity product partners provides OVB with the opportunity to gain market shares through a competitive edge.

Financial risks
Bad debt risks may arise from receivables from business partners and from advance commission payments to sales agents and commission charge-back. In individual cases, commission that has been earned but not yet received is paid to sales agents in order to bridge the gap until payment is received from the product providers. OVB counters bad debt risks by way of risk-sensitive accounts receivable management and the careful selection of its business and product partners.

Appropriate valuation allowances are made for receivables that are considered doubtful from today's perspective. Such allowances take into account timely information on the debtor's credit rating, commission expected to be received and the age structure of receivables. The default rate of receivables is 0.55 per cent for the year under review (previous year: 0.23 per cent).

Cancellation risks are adequately covered by OVB by retained cancellation reserve and cancellation provisions whose amounts are determined on the basis of commission inflow during the period of liability and the anticipated claims for commission refunds based on past experience.

Issuer risks associated with the investment of liquid assets are contained by means of strict credit rating requirements and appropriate capital investment management. OVB maintains business relationships with several banks belonging to different banking systems. OVB closely monitors the rating of these banks and considers the assessment of major rating agencies if available.

Market risks are risks of losses as a result of unfavourable changes in market prices or price-affecting parameters. Market price risks include interest rate risks, currency risks and stock price risks. Shares, bonds and funds in the portfolio may be primarily exposed to price risk as a result of market price fluctuation. OVB varies investment volumes and issuers in order to counter this risk. Potential effects on earnings as a result of heavy price fluctuations are identified early on by monitoring and assessing the portfolio on an ongoing basis. Containing such risks may also necessitate the full liquidation of individual positions at short notice. Capital investments based on real assets are altogether of minor relevance to the group companies. Had the market interest rate of relevance to capital investments been 100 basis points higher (lower) over the full year 2018, earnings would have been Euro 479 thousand higher (lower).

Currency risks result from OVB's international orientation. Therefore OVB constantly monitors the development in the currency markets and deliberates the necessity of additional hedging measures in particular.

Liquidity risks are relatively low for OVB because business operations are financed out of the current cash flow and liquidity reports assist in the management and investment of surplus liquidity. These reports provide regular insight into financial developments and the liquidity demands of the subsidiaries and the holding company derived from them.

With these measures, OVB also diversifies the risk of being sued under guarantees or letters of comfort given on behalf of its subsidiaries.

Operational risks
OVB uses both employees and external contractors as well as technical and structural facilities in order to transact its business operations.

Binding workflow rules have been defined for processing and settling business transactions. Employees entrusted with confidential information commit themselves to compliance with binding regulations and to responsible conduct in handling such data. OVB highly regards the protection of anyone's privacy and control over personal data. Therefore personal data are collected, processed and used only in compliance with applicable data protection and data security provisions.

With the introduction of the General Data Protection Regulation (GDPR), generally the same standards have been in effect in all EU member states since May 2018. OVB has analyzed the obligations and risks produced by the GDPR and taken technical and organizational risk-oriented measures in developing its data protection culture already in place in order to safeguard the protection and security of personal data particularly of employees, clients, financial agents and other business partners according to applicable data protection law.

The GDPR requirements have been met by the launch of local implementation projects supported by OVB Holding AG. The proper implementation has been reviewed by external experts.

In addition to the implementation of GDPR requirements, OVB constantly invests in the security of its systems. After all, the increasing digitization not only facilitates new, innovative applications but also creates new threats, e.g. by hacker attacks.

OVB contains the risk of breaches of in-house and external rules and regulations by separating management and control functions from each other. OVB protects itself against damages and potential liability risks by appropriate insurance protection.

IT risks
By the successive introduction of a common OVB EU data processing centre, the IT infrastructure has been largely standardized. Back-up systems, mirror databases and a defined emergency plan keep the database secure and guarantee its availability. The IT systems are protected by special access and authorization concepts as well as effective and continually updated anti-virus software. At the level of applications, OVB utilizes standard software from reputable providers. The standard software is supplemented by proprietary group-specific developments subject to continuous quality control. With the administration and management system "myOVB" implemented Europe-wide, OVB has completed the homogenization of this IT core functionality at all group companies. Because of the ever increasing importance of IT for the support of business processes, OVB invests in existing as well as new IT solutions for the digitization of processes based on constant monitoring and analysis of the systems available in the market.

Reputational opportunities and risks
Reputational risks arise from a loss of reputation either of the entire industry, of OVB itself or of one or several of its operating segments for example among clients, business partners or in the public eye. Advising on financial products and their brokerage are activities subject to critical public scrutiny on a case-by-case basis. OVB is particularly exposed to the risk that the public's trust in the Company might be negatively affected by media coverage e.g. with respect to claims against sales agents based on incorrect or allegedly incorrect advice or concerning products distributed by them.

Apart from that, human misconduct can never be completely ruled out even by providing strict internal guidance and standards. OVB follows and analyzes any such cases with the aim of taking preventive action to halt any damage to the Company's reputation even before it arises. Professional training standards are compliant with statutory requirements and are constantly being advanced and adapted to a changing legal framework. Documentation of counselling interviews and strict selection criteria for accepting new product providers and new products support this goal.

The flip side of this coin provides OVB with the opportunity to further improve the Company's image as perceived by the general public and potential clients through consistently competent and responsible conduct. The Company's public relations effort serves that same purpose.

Risks associated with advisory services and liability risk
Brokerage of financial products generally takes place on the basis of previous advice given to the client. The purpose of this advisory service is to ensure that the client receives a financial product tailored to his or her individual provision requirements and investment profile. Potential risks associated with advisory services are meant to be curtailed by continually raising the awareness of and providing continuing education opportunities for our financial agents with a view to providing needs-specific advice and by documenting and recording client meetings as required. The public and extensive debate on the quality of financial advisory services in Europe leads to aggravated legal requirements that might entail increased risk.

OVB closely follows all relevant regulatory efforts at national levels and on the European scale so that potential effects on the business model are recognized in good time and any required adjustments can be initiated.

Litigation risk
The management of litigation risk is coordinated by OVB's legal department. OVB guards against litigation risk by drawing on comprehensive advice both from in-house specialists and external lawyers before making business decisions and in structuring business processes. The legal team's tasks also include the monitoring and evaluation of current legal disputes. Constant monitoring and assessments conducted by our legal department enables OVB to counter risks associated with potentially incorrect advice to clients or the brokerage of financial and insurance products. OVB further reduces its risk of liability in part by taking out adequate financial liability insurance which is routinely reviewed and adjusted if necessary. Adequate provisions were made for lawsuits including corresponding costs of legal advice. According to our assessment and after consulting external legal experts, currently pending cases do not pose risks at present that might have material adverse effects on OVB's assets and liabilities, financial position and profit/loss.

Tax risk
A changing tax framework for individual sales subsidiaries as well as for advisory services might result in tax risk for OVB.

OVB constantly monitors tax law developments as they become apparent in all of the countries in which it does business, particularly including potential regulatory intervention that would affect the tax treatment of our distribution model, and analyzes their potential impact on the Group. Both in-house and external experts monitor the tax requirements applicable to the Company in accordance with the relevant tax provisions and any corresponding directives issued by the respective tax authorities. Adequate provisions are made for tax payments to be expected.

Estimation risk
Assumptions and estimates primarily concern the measurement of provisions, the collectability of receivables, the impairment of goodwill, litigation risk, depreciation and amortization, the determination of the useful lives of assets and the capitalization of deferred tax on the holding company's loss carry-forward as it is affected by imponderables in corporate planning. Actual values may deviate in the individual case from the assumptions and estimates made. Changes are considered as soon as better information becomes available.

Overall assessment of opportunities and risks

According to its firm conviction, OVB operates in growth markets. Fundamental trends such as the demographic development in Europe increasingly require private protection and retirement provision. Only a small fraction of the citizens have seen to adequate private pension provision and protection against the major risks of life so far.

For OVB this opens up the opportunity for growing numbers of clients, sales and earnings in the future.

With respect to risks, OVB's business performance is essentially influenced by industry-specific and financial risks. OVB's risk management system and the implemented reporting system make a substantial contribution to the fact that the Group's overall risk position is being controlled and made transparent.

OVB has seen to adequate provision for currently identified material risks. From today's perspective there are no material risks that carry a threat to the Company's continued existence. Fundamental changes of this risk assessment are not expected at present. The risk management and control system is subject to constant advancement in order to increase transparency in relation to risks taken and to further improve risk management capabilities.

The presented risks are not necessarily the only risks OVB is exposed to. Risks OVB is currently unaware of or risks that OVB currently regards as immaterial might also have adverse effects on business activities and might have a negative impact on the forecasts made in the following outlook report.

Outlook

Europe's economy will probably slow down gradually in 2019 and 2020. Growth of the economic output in the euro area is expected to decrease from 1.9 per cent in 2018 over 1.5 per cent in the current year to 1.3 per cent in 2020. External factors such as international trade conflicts are increasingly amplified by issues within the EU such as the exit of Great Britain and the public budget problems in Italy and France.

Development in Central and Eastern Europe
The pace of economic expansion shared by the countries of the Central and Eastern Europe segment will probably stay abreast of the economic growth achieved by all European economies together in 2019 and 2020. At a high employment level and modest price increases, domestic demand of the private households and the companies' capital expenditures remain strong.

Even against the backdrop of additional regulatory effects, OVB expects a slight increase in brokerage income for the year 2019 in the Central and Eastern Europe segment. The operating result is expected to rise modestly.

Key economic data Central and Eastern Europe

	Real GDP (change in %)		Consumer prices (change in %)		Public budget balance (in % of GDP)	
	2019f	2020f	2019f	2020f	2019f	2020f
Croatia	2.5	2.0	1.4	1.9	-1.0	-1.2
Czech Republic	2.7	2.5	2.6	2.2	0.0	-0.7
Hungary	3.4	2.2	3.0	2.8	-1.8	-1.6
Poland	3.6	2.9	2.3	2.6	-1.5	-1.8
Romania	3.5	3.0	3.1	2.9	-3.5	-3.5
Slovakia	4.0	2.8	2.8	2.0	0.0	0.0
Ukraine	2.7	3.1	9.5	8.0	-2.3	-2.2

f = forecast
Source: Raiffeisen RESEARCH, Strategy Austria & CEE, 1st Quarter 2019

Development in Germany
Germany's economic outlook for 2019 and 2020 is modest. This current year the macroeconomic performance may still gain 1.3 per cent while next year the economic growth might be down to just 1.0 per cent. Great uncertainty is linked to the modalities of Great Britain's exit from the EU. As a country with a strong export business, Germany is also particularly affected by the international trade conflicts. Adding to that are the structural changes in the auto industry, one of the most important German industries. The macroeconomic general conditions for OVB's business in Germany are therefore expected to suffer to some extent.

For the Germany segment, OVB expects brokerage income and operating result to come close to the prior-year amounts in 2019.

Development in Southern and Western Europe
The economic performances in the countries of the Southern and Western Europe segment are expected to show modest growth in 2019 and 2020. The effects of the Brexit threaten to affect the economic prospects here as well. Adding to that is social tension e.g. in France and Italy where new debt of the public budgets has already reached a critical level.

OVB expects modest organic growth of brokerage income in the Southern and Western Europe segment. Following its closing, the sales contribution of the newly acquired investment in Belgium will add to the result of the full year 2019. The operating result is expected to grow slightly compared to the previous year.

Key economic data Southern and Western Europe

	Real GDP (change in %)		Consumer prices (change in %)		Public budget balance (in % of GDP)	
	2019f	2020f	2019f	2020f	2019f	2020f
Austria	1.7	1.4	2.1	2.0	0.0	0.0
Belgium	1.5	1.5	1.9	1.9	-1.1	-1.3
France	1.4	1.3	1.5	1.8	-3.2	-2.5
Greece	1.9	1.8	1.1	1.3	0.6	0.6
Italy	0.6	0.8	1.2	1.1	-2.6	-2.6
Spain	2.1	1.6	1.5	2.0	-2.1	-1.9
Switzerland	2.2	1.6	0.9	0.9	0.5	0.6
Eurozone	**1.5**	**1.3**	**1.5**	**1.7**	**-0.8**	**-0.7**

f = forecast
Source: Raiffeisen RESEARCH, Strategy Global Markets, 1st Quarter 2019

Development of Corporate Centre
OVB Holding AG expects the loss reported for the Corporate Centre segment to be reduced modestly in 2019.

Development of OVB Holding AG
Considering the above mentioned expectations for the development of the subsidiaries, the Executive Board assumes that the business result will be slightly higher for 2019 than for 2018. This is due primarily to higher planned income from investments and the transfer of profits.

Development of the Group
One essential strength of the OVB Group is its broad international positioning over now 15 European countries. Market conditions remain altogether challenging. Despite the high demand for private risk protection and provision it cannot be ruled out that clients will continue to act cautiously with respect to long-term investment decisions. OVB will keep pursuing the course for growth and thus aim for further expansion of the number of financial agents and its clients.

The long-term business potential in the market of private risk protection and retirement provision remains unchanged. OVB works with great commitment at further developing this potential for the Company. For 2019 OVB expects slightly increasing, organic growth of brokerage income compared to 2018 at different market-specific trends in the individual countries.

In addition to that, the closing of the business transaction in Belgium will lead to a positive effect on sales for the full year, resulting in a significant sales increase for the Southern and Western Europe segment. Against the backdrop of ongoing capital expenditures connected to the implementation of the strategy “OVB Evolution 2022”, the Executive Board expects an operating result between Euro 13.5 million and 14.0 million for the Group this current year.

Remuneration report

The remuneration report presents the basic principles that are decisive for the determination of the remuneration of the members of Executive Board and Supervisory Board and explains the structure and amounts of Executive Board remuneration. The report also describes the basic principles and amounts of Supervisory Board remuneration.

The report complies with the recommendations of the German Corporate Governance Code (GCGC) and the requirements of the German Commercial Code (HGB), the German Accounting Standards (DRS) as well as the International Financial Reporting Standards (IFRS).

Executive Board remuneration

Remuneration system
The system of Executive Board remuneration at OVB aims at giving incentive to the successful management of the Company based on sustainability. The determination of the individual remuneration of the Executive Board members is the sole responsibility of the Supervisory Board, following preparatory work performed by its Nomination and Remuneration Committee.

Appropriateness of the remuneration amounts is routinely reviewed by the Supervisory Board. The following criteria are considered for such reviews: the Company's economic situation, its success and prospects, the individual Board member's responsibilities and functions as well as personal performance and a horizontal and vertical comparison with respect to customary compensation, taking also into account the relation of Executive Board remuneration to the remuneration of next-level senior executives and the staff as a whole.

Remuneration of the Executive Board members is composed of non-performance-based and performance-based components.

Fixed compensation and fringe benefits
The non-performance-based components consist of a fixed annual basic remuneration, paid as a monthly salary.

The members of the Executive Board are also granted fringe benefits as remuneration in kind; these are essentially the use of company cars and insurance premiums for Executive Board protection. As part of the remuneration, these fringe benefits are generally granted to all members of the Executive Board equally; the amounts of the benefits depend on individual agreements.

Performance-based components
The performance-based part of remuneration consists of an aggregate bonus of which half is based on annual targets (annual bonus) and the other half is based on long-term bonus criteria (variable performance component for sustained success).

One-year variable compensation
This compensation amount (annual bonus) depends on the extent to which certain quantitative targets (such as the performance of sales and earnings) and qualitative targets (such as the successful realization of significant projects in terms of corporate strategy) have been achieved. The target figures are determined and evaluated each year in advance on the basis of the budget prepared by the Executive Board and adopted by the Supervisory Board. Quantitative targets are rated at 80 per cent and qualitative targets at 20 per cent. The bandwidth of the target definition (target corridor) for the annual bonus ranges from 75 per cent to 125 per cent relating to quantitative targets and up to 150 per cent relating to qualitative targets. The annual bonus is paid each following year after the Supervisory Board has determined the target achievement levels on the basis of the adopted separate financial statements. If the targets are partly met, the bonus is determined on a pro-rata basis.

Multi-year variable compensation
The total amount of the multi-year variable remuneration component is entered in a "bonus account with a penalty rule" and carried forward to the next year. Criteria of the variable performance component with sustained incentive effect are the Group's performances of EBIT and sales. The assessment basis of the variable remuneration component for the year 2018 derives from the moving average of the actuals achieved over the past two years (2016/2017) and target achievement in the year 2018. If a target level of 60 per cent is not reached, the accumulated bonus account balance is reduced (penalty rule). The balance in the bonus account remaining after allocation to the account or offsetting against the penalty is respectively paid at one third of the balance in the following year.

Payment commitments to Executive Board members upon premature termination of Executive Board contracts in case of a change of control (so-called change-of-control clauses) are not included in the contracts of employment. The contracts provide for a severance pay cap in case of premature termination of the Executive Board contract without good cause, compliant with the recommendation under No. 4.2.3 of the German Corporate Governance Code.

For the determination of the amount of severance pay, total remuneration for the past financial year and expected total remuneration for the current financial year are taken into account.

There are no pension or benefit commitments, or payments of retirement annuities, in favour of acting Executive Board members in the reporting period by OVB Holding AG.

In the event of death, remuneration continues to be paid to the surviving dependents for a period of six months.

Remuneration of the Executive Board members for financial year 2018
The Executive Board was granted total remuneration for the 2018 financial year in the amount of Euro 1.7 million (previous year: Euro 1.7 million). Total remuneration comprises all remuneration received for services to the parent and to subsidiary companies.

The following tables listing remuneration paid for financial year 2018 and allocations for the year under review consider the recommendations of the German Corporate Governance Code in addition to the applicable accounting principles. Tables correspond to the model tables recommended by the Code. Under granted benefits, achievable minimum and maximum amounts are also stated.

To the members of the Executive Board, remuneration was granted for the 2018 financial year as presented below (individualized disclosures):

Benefits granted for 2018

	Mario Freis, CEO				Oskar Heitz, CFO			
EUR'000	2017*	2018*	2018 (min)*1	2018 (max)*2	2017*	2018*	2018 (min)*1	2018 (max)*2
Fixed compensation	420	**420**	**420**	**420**	300	**300**	**300**	**300**
Fringe benefits	67	**67**	**67**	**67**	94	**94**	**94**	**94**
Total	487	**487**	**487**	**487**	394	**394**	**394**	**394**
One-year variable compensation (annual bonus)	140	**138**	**-**	**138**	80	**79**	**-**	**79**
Multi-year variable compensation	111	**121**	**46**	**168**	71	**74**	**31**	**101**
Bonus account (2015 - 2017)	111				71			
Bonus account (2016 - 2018)		**121**	**46**	**168**		**74**	**31**	**101**
Total variable components	251	**259**	**46**	**306**	151	**153**	**31**	**180**
Service cost	-	**-**	**-**	**-**	-	**-**	**-**	**-**
Total remuneration	738	**746**	**533**	**793**	545	**547**	**425**	**574**

	Thomas Hücker, COO			
EUR'000	2017*	2018*	2018 (min)*1	2018 (max)*2
Fixed compensation	225	**225**	**225**	**225**
Fringe benefits	60	**60**	**60**	**60**
Total	285	**285**	**285**	**285**
One-year variable compensation (annual bonus)	75	**74**	**-**	**74**
Multi-year variable compensation	59	**65**	**25**	**90**
Bonus account (2015 - 2017)	59			
Bonus account (2016 - 2018)		**65**	**25**	**90**
Total variable components	134	**139**	**25**	**164**
Service cost	-	**-**	**-**	**-**
Total remuneration	419	**424**	**310**	**449**

* Actuals represent the amount upon 100 per cent target achievement. Multi-year variable compensation also refers to 100 per cent target achievement. The amount stated for 2018 corresponds to the amount paid of one third of the bonus account balance as of 31 December of the year under review (at 100 per cent target achievement).

*1 The minimum amount stated for multi-year variable compensation derives from the actuals 2016/2017 less deduction (penalty rule) for the year 2018 and corresponds to the minimum amount paid for 2018 of one third of the bonus account balance as of 31 December of the year under review (at 0 per cent target achievement).

*2 The maximum amount stated for multi-year variable compensation derives from the actuals 2016/2017 plus allocation to the bonus account upon target achievement of 200 per cent and corresponds to the maximum amount paid for 2018 of one third of the bonus account balance as of 31 December of the year under review.

Allocations for the year under review
The following table shows the allocations for the year under review 2018 consisting of fixed compensation, fringe benefits, one-year variable compensation and multi-year variable compensation. Deviating from the table of benefits granted for financial year 2018, above, the following table presents the determined allocations for the 2018 financial year with respect to the variable compensation components (annual bonus and bonus account) in relation to the respective target achievement rate for the year under review 2017 already established as of the time of preparation of the financial statements.

Allocations for the year under review 2018

	Mario Freis, CEO		Oskar Heitz, CFO		Thomas Hücker, COO	
EUR'000	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**
Fixed compensation	420	**420**	300	**300**	225	**225**
Fringe benefits	67	**64**	94	**94**	60	**66**
Total	487	**484**	394	**394**	285	**291**
One-year variable compensation (annual bonus)	144	**138**	81	**79**	76	**74**
Multi-year variable compensation	111	**116**	71	**71**	59	**62**
Bonus account (2015 - 2017)	111		71		59	
Bonus account (2016 - 2018)		**116**		**71**		**62**
Total variable components	255	**254**	152	**151**	135	**136**
Service cost	-	**-**	-	**-**	-	**-**
Total remuneration	742	**738**	546	**545**	420	**427**

The D&O liability insurance policy taken out for the members of the Executive Board includes the statutory deductible.

Remuneration of the Supervisory Board
The remuneration provisions for the Supervisory Board currently in effect have been adopted by the Annual General Meeting of 5 June 2018, effective as of 1 January 2018; they have been put down in Section 14 of the Articles of Association of OVB Holding AG. Supervisory Board remuneration has been defined as mere fixed compensation; it takes into consideration the responsibility and the scope of work of the members of the Supervisory Board. Chairmanship, deputy chairmanship as well as chairmanship and membership of the Audit Committee and the Nomination and Remuneration Committee are subject to additional compensation. According to the provisions in effect, members of the Supervisory Board receive a fixed annual compensation, payable after the end of each financial year, amounting to Euro 15,000.00 for each member, double that amount for the chairman, and one and a half times that amount for the deputy chairman. Members of the Audit Committee receive an additional fixed annual compensation, payable after the end of each financial year, amounting to Euro 7,500.00, while the committee chairman receives double that amount. Members of the Nomination and Remuneration Committee receive an additional fixed annual compensation, payable after the end of each financial year, amounting to Euro 5,000.00, while the committee chairman receives double that amount. Supervisory Board members are also reimbursed for out-of-pocket expenses incurred in connection with their work as well as for value-added tax levied on their compensation.

To the members of the Supervisory Board, remuneration was granted for the 2018 financial year as presented below (individualized disclosures):

Remuneration for financial year 2018

EUR'000	Basic compensation	Additional compensation for audit committee work	Additional compensation for nomination and remuneration committee work	Total
Michael Johnigk	30.0	7.5	5.0	**42.5**
Dr. Thomas A. Lange	22.5	15.0	0	**37.5**
Maximilian Beck[1]	8.6	4.3	-	**12.9**
Markus Jost	15.0	7.5	10.0	**32.5**
Wilfried Kempchen	15.0	0	0	**15.0**
Winfried Spies	15.0	0	0	**15.0**
Dr. Alexander Tourneau[2]	-	-	-	**-**
Total	**106.1**	**34.3**	**15.0**	**155.4**

[1] Member of the Supervisory Board since 5 June 2018 (pro-rata compensation for 210 days)
[2] Member of the Supervisory Board until 5 June 2018 (In 2016, Dr. Tourneau furnished a waiver with respect to compensation and the reimbursement for out-of-pocket expenses incurred in connection with his work on the Supervisory Board, effective for the duration of his mandate.)

In financial year 2017, Supervisory Board remuneration still consisted of fixed and variable compensation components. Based on the reported 2017 consolidated net income of OVB Holding AG in the amount of Euro 12.3 million, remuneration was broken down as follows (individualized disclosures):

Remuneration for financial year 2017

EUR'000	Fixed compensation	Variable compensation	Total
Michael Johnigk, Chairman	10.0	9.9	**19.9**
Dr. Thomas A. Lange Deputy Chairman	7.5	9.9	**17.4**
Markus Jost	5.0	9.9	**14.9**
Wilfried Kempchen	5.0	9.9	**14.9**
Winfried Spies	5.0	9.9	**14.9**
Dr. Alexander Tourneau[1]	-	-	**-**
Total	**32.5**	**49.3**	**81.8**

[1] In 2016, Dr. Tourneau furnished a waiver with respect to compensation and the reimbursement for out-of-pocket expenses incurred in connection with his work on the Supervisory Board effective for the duration of his mandate.

No loans have been extended to members of the Executive Board or the Supervisory Board.

Statement on corporate governance

Executive Board and Supervisory Board have released the statement on corporate governance. It is available on the internet at www.ovb.eu/english/investor-relations/corporate-governance.

Disclosures pursuant to Sections 289a (1), 315a (1) HGB and explanatory report

Composition of subscribed capital

The Company's share capital was Euro 14,251,314.00 as of 31 December 2018, divided into 14,251,314 no-par value bearer shares. Each share carries the same rights and represents one vote in the General Meeting of shareholders.

Shareholdings in excess of 10.0 per cent of the voting rights

OVB Holding AG has been notified of the following shareholdings that carry more than 10.0 per cent of the voting rights in OVB Holding AG. The following groups of shareholders are also referred to as principal shareholders.

Basler Beteiligungsholding GmbH, Hamburg, holds roughly 32.57 per cent of shares. This investment is attributed to Basler Sachversicherungs-Aktiengesellschaft, Bad Homburg, Basler Lebensversicherungs-Aktiengesellschaft, Hamburg, Basler Sach Holding AG, Hamburg, Basler Versicherung Beteiligungen B.V. & Co. KG, Hamburg, Bâloise Delta Holding S.a.r.l., Bartingen, Luxembourg, and Bâloise Holding AG, Basel, Switzerland, in accordance with Sections 33, 34 (1) no. 1 WpHG (Securities Trading Act – new version).

SIGNAL IDUNA Lebensversicherung a. G. (formerly IDUNA Vereinigte Lebensversicherung für Handwerk, Handel und Gewerbe aG), Hamburg, holds roughly 31.67 per cent of the shares directly. As the insurance companies of the SIGNAL IDUNA Group represent a horizontal group of companies (Gleichordnungskonzern) for the purpose of Section 18 (2) AktG (Stock Corporation Act), SIGNAL IDUNA Lebensversicherung a. G., Hamburg, indirectly holds 52.94 per cent of the shares. SIGNAL IDUNA Krankenversicherung a. G., Dortmund, holds roughly 21.27 per cent of the shares directly.

In accordance with Sections 33 (1), 34 (2) WpHG (new version), the shares held directly by SIGNAL IDUNA Krankenversicherung a. G. and SIGNAL IDUNA Lebensversicherung a. G. are also attributed to SIGNAL IDUNA Unfallversicherung a. G., Dortmund, so that this entity has respective indirect holdings of roughly 52.94 per cent of the shares.

Generali Lebensversicherung AG, Munich, holds roughly 11.48 per cent of the shares directly, attributable to Generali Deutschland AG, Munich, Generali Beteiligungs-GmbH, Aachen, and Assicurazioni Generali S.p.A., Triest, Italy, in accordance with Sections 33, 34 (1) no. 1 WpHG (new version).

The free float as defined by Deutsche Börse AG amounts to roughly 3.01 per cent according to the information available to OVB Holding AG.

Restrictions on voting rights or share assignment

Principal shareholders Basler Group and SIGNAL IDUNA Group have concluded a shareholder voting agreement under which the contracting parties are obligated to exercise their votes in the General Meeting's elections to the Supervisory Board in such a way that two representatives of the Bâloise Group, two representatives of the SIGNAL IDUNA Group, one representative of Generali and one independent member with expert knowledge in the fields of financial accounting or audits of financial statements are represented on the Supervisory Board at all times.

Furthermore, two contracting parties have committed themselves to sell their shares only if the purchaser of shares will enter into the shareholder voting agreement.

Appointment and dismissal of members of the Executive Board and amendments to the Articles of Association

The Executive Board, consisting of at least two members pursuant to Section 7 (1) of the Articles of Association, is appointed and dismissed exclusively in accordance with the relevant statutory provisions. The Supervisory Board has sole responsibility for the appointment and dismissal of Executive Board members, determines the number of Executive Board members and appoints them for a maximum term of five years. Executive Board members may be reappointed or their terms of office extended, in each case for no more than five years.

The Articles of Association may be amended by resolution of the General Meeting of shareholders.

Amendments become effective upon entry in the commercial register pursuant to Section 181 (3) AktG (Stock Corporation Act). In accordance with Section 179 (2) AktG in conjunction with Section 18 (2) of the Articles of Association, resolutions passed by the General Meeting to amend the Articles of Association must be adopted by a simple majority of the votes cast as well as a majority of three fourths or more of the share capital represented at the vote unless the German Stock Corporation Act determines a larger majority as mandatory. Under Section 11 (3) of the Articles of Association, the Supervisory Board has the power to amend the Articles of Association insofar as only their wording is concerned.

The Executive Board's authorizations to issue and buy back shares

At present OVB Holding AG has neither contingent nor authorized capital. The Annual General Meeting of 3 June 2015 authorized the Company to acquire a total of up to 300,000 treasury shares up to and including 10 June 2020. The shares may be acquired on the stock exchange or by means of a public purchase offer directed towards all shareholders. The Company may also use intermediaries to acquire shares on the stock exchange, provided those intermediaries comply with the following restrictions.

If shares are purchased on the stock exchange, the purchase price per share (not including transaction costs) must neither exceed nor undercut the average share price (closing auction prices for OVB shares on the Xetra trading platform or a functionally equivalent system that supersedes Xetra at the Frankfurt Stock Exchange) by more than five per cent respectively over the last five trading days before the purchase obligation was assumed.

In case of a public purchase offer, the purchase price must neither exceed nor undercut the average share price (closing auction prices for OVB shares on the Xetra trading platform or a functionally equivalent system that supersedes Xetra at the Frankfurt Stock Exchange) by more than 10 per cent respectively between the 4th and 10th trading day prior to the day on which the bid was announced. A limit may be placed on the volume of shares subject to the bid. If the offer is over-subscribed, acceptance must be proportionate to the number of shares respectively offered.

Privileged acceptance of smaller allotments of up to 100 shares offered to the Company for purchase per shareholder may be provided for.

Subject to the Supervisory Board's consent, the Executive Board is authorized to use the shares bought back in accordance with the above authorization as follows:

With the Supervisory Board's consent, the Executive Board may use repurchased shares as (partial) consideration in connection with company mergers or in order to acquire enterprises, equity interests in enterprises, divisions of enterprises or other business assets. The Executive Board may also use repurchased shares in order to fulfil the obligations under any share-based payment plans in favour of members of management, other executives and the self-employed sales agents of OVB Holding AG and its domestic and foreign subsidiaries (for the purpose of Sections 15 et seq. AktG).

The Executive Board may also, with the Supervisory Board's consent, retire repurchased shares without another resolution of the General Meeting of shareholders being required. The Executive Board may elect to retire only a part of the acquired shares; the authorization to retire shares may be exercised once or more than once.

The retirement of shares may be executed in such a way that the share capital does not change but rather the interest in the share capital represented by the remaining shares is increased.

Shareholders' subscription rights to the Company's treasury shares are excluded, provided such shares are used in accordance with the authorizations described above.

Change of control

Public bids to acquire shares in the Company are governed exclusively by law and the Articles of Association, including the provisions of the German Securities Acquisition and Takeover Act (WpÜG). The General Meeting of shareholders has not authorized the Executive Board to take actions falling within the shareholders' powers so as to prevent any successful takeover bids.

The Company has not entered into any compensation agreements for the event of a takeover bid with the members of the Executive Board.

Statement of the Executive Board pursuant to Section 312 (3) AktG

With respect to business transactions or measures reportable in accordance with Section 312 AktG (Stock Corporation Act), the Company has received appropriate consideration for each business transaction and was not disadvantaged in any measure taken, or deliberately not taken, according to the circumstances known to the Company at the time the respective transaction or measure was taken or deliberately not taken.

Responsibility statement pursuant to Section 297 (2) sentence 4 HGB

To the best of their knowledge, the legal representatives assure that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group in accordance with the applicable reporting principles and that the combined management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Cologne, 22 February 2019

Mario Freis CEO	Oskar Heitz CFO	Thomas Hücker COO

Consolidated financial statements 2018

Consolidated statement of financial position

of OVB Holding AG as of 31 December 2018 according to IFRS

Assets

Note	EUR'000	31/12/2018	31/12/2017
	A. Non-current assets		
1	Intangible assets	9,744	9,756
2	Tangible assets	3,834	4,111
3	Financial assets	12,079	5,096
4	Deferred tax assets	4,353	4,451
		30,010	**23,414**
	B. Current assets		
5	Trade receivables	32,764	29,243
6	Receivables and other assets	34,486	23,553
7	Income tax assets	1,079	1,876
8	Securities and other capital investments	41,475	39,413
9	Cash and cash equivalents	46,513	55,521
		156,317	**149,606**
	Total assets	**186,327**	**173,020**

Note

Equity and liabilities

Note	EUR'000	31/12/2018	31/12/2017
	A. Equity		
10	Subscribed capital	14,251	14,251
11	Capital reserve	39,342	39,342
12	Treasury shares	0	0
13	Revenue reserves	13,671	13,671
14	Other reserves	109	202
15	Non-controlling interests	423	569
16	Retained earnings	22,648	21,198
		90,444	**89,233**
	B. Non-current liabilities		
17	Provisions	1,007	915
18	Other liabilities	52	75
19	Deferred tax liabilities	207	23
		1,266	**1,013**
	C. Current liabilities		
20	Provisions for taxes	50	449
21	Other provisions	40,881	30,907
22	Income tax liabilities	739	1,077
23	Trade payables	9,365	7,363
24	Other liabilities	43,582	42,978
		94,617	**82,774**
	Total equity and liabilities	**186,327**	**173,020**

Consolidated income statement

of OVB Holding AG for the period from 1 January to 31 December 2018 according to IFRS

Note	EUR'000	2018	2017
25	Brokerage income	231,337	221,629
26	Other operating income	11,407	9,680
	Total income	**242,744**	**231,309**
27	Brokerage expenses	-155,079	-148,040
28	Personnel expenses	-29,778	-27,966
29	Depreciation and amortisation	-4,263	-4,113
30	Other operating expenses	-40,461	-35,224
	Earnings before interest and taxes (EBIT)	**13,163**	**15,966**
	Finance income	511	484
	Finance expenses	-834	-66
31	**Financial result**	**-323**	**418**
	Consolidated income before income tax	**12,840**	**16,384**
32	Taxes on income	-3,115	-4,048
33	**Consolidated net income**	**9,725**	**12,336**
34	Thereof non-controlling interests	-109	-194
35	**Consolidated net income after non-controlling interests**	**9,616**	**12,142**
36	Basic earnings per share in Euro	0.67	0.85

Note

Consolidated statement of comprehensive income

of OVB Holding AG for the period from 1 January to 31 December 2018 according to IFRS

EUR'000	2018	2017
Consolidated net income	**9,725**	**12,336**
Revaluation effect from provisions for pensions	30	-92
Deferred tax due to revaluation effect from provisions for pensions	-5	15
Other comprehensive income not to be reclassified to the income statement	**25**	**-77**
Change from revaluation of available-for-sale financial assets outside profit or loss	–	-147
Change from revaluation of financial assets measured at fair value outside profit or loss	-2	–
Change from revaluation of available-for-sale financial assets through profit or loss	–	-24
Change in deferred taxes on unrealised gains and losses from capital investments outside profit or loss	0	15
Change in currency translation reserve	-99	-303
Other comprehensive income to be reclassified to the income statement	**-101**	**-459**
Total comprehensive income before non-controlling interests	**9,649**	**11,800**
Total comprehensive income attributable to non-controlling interests	-109	-194
Total comprehensive income	**9,540**	**11,606**

Consolidated statement of cash flows

of OVB Holding AG for the period from 1 January to 31 December 2018 according to IFRS

EUR'000		2018	2017
Consolidated income before income tax		12,840	16,384
+/-	Depreciation, amortisation and impairment / Appreciation in value and reversal of impairment loss of non-current assets	4,263	4,117
-	Financial result	323	-418
-/+	Unrealised currency gains/losses	240	-822
+/-	Allocation to/reversal of valuation allowances for receivables	1,346	1,918
+/-	Other non-cash financial items	21	-106
+/-	Increase/decrease in provisions	3,134	-1,149
+/-	Result from the disposal of intangible and tangible assets	-62	-111
+/-	Decrease/increase in trade receivables and other assets	-4,149	-7,525
+/-	Increase/decrease in trade payables and other liabilities	2,583	5,875
-	Interest paid	-52	-66
-	Income tax paid	-5,017	-4,347
= Cash flow from operating activities		**15,470**	**13,750**
+	Payments received from disposal of tangible assets and intangible assets	78	360
+	Payments received from disposal of financial assets	148	376
+	Payments received from disposal of securities and other short-term capital investments	3,780	8,643
-	Payments for expenditure on tangible assets	-1,081	-1,414
-	Payments for expenditure on intangible assets	-2,921	-2,836
-	Payments for expenditure on financial assets	-7,132	-246
-	Payments for expenditure on securities and other short-term capital investments	-6,623	-23,016
+	Other finance income	274	259
+	Interest received	237	225
= Cash flow from investing activities		**-13,240**	**-17,649**
-	Dividends paid	-10,943	-10,837
= Cash flow from financing activities		**-10,943**	**-10,837**
Overview:			
Cash flow from operating activities		15,470	13,750
Cash flow from investing activities		-13,240	-17,649
Cash flow from financing activities		-10,943	-10,837
= Net change in cash and cash equivalents		**-8,713**	**-14,736**
Exchange rate changes in cash and cash equivalents		-295	332
+ Cash and cash equivalents at end of the prior year		55,521	69,925
= Cash and cash equivalents at the end of the period		**46,513**	**55,521**

Consolidated statement of changes in equity

of OVB Holding AG as of 31 December 2018 according to IFRS

EUR'000	Subscribed capital	Capital reserve	Statutory reserve	Other revenue reserves	Available-for-sale reserve/ revaluation reserve	Reserve from provisions for pensions
31/12/2017 (IAS 18, IAS 39)	**14,251**	**39,342**	**2,539**	**11,132**	**74**	**-613**
Change of accounting policy IFRS 9					-71	
Change of accounting policy IFRS 15						
01/01/2018 (IFRS 9, IFRS 15)	**14,251**	**39,342**	**2,539**	**11,132**	**3**	**-613**
Consolidated profit						
Treasury shares						
Corporate actions						
Dividends paid						
Change in revaluation reserve					-2	
Allocation to other reserves						
Change in currency translation reserve						
Revaluation effect from provisions for pensions						30
Consolidated net income						
31/12/2018	**14,251**	**39,342**	**2,539**	**11,132**	**1**	**-583**

of OVB Holding AG as of 31 December 2017 according to IFRS

EUR'000	Subscribed capital	Capital reserve	Statutory reserve	Other revenue reserves	Available-for-sale reserve/ revaluation reserve	Reserve from provisions for pensions
31/12/2016	**14,251**	**39,342**	**2,531**	**11,132**	**245**	**-521**
Consolidated profit						
Treasury shares						
Corporate actions						
Dividends paid						
Change in available-for-sale reserve					-171	
Allocation to other reserves			8			
Change in currency translation reserve						
Revaluation effect from provisions for pensions						-92
Consolidated net income						
31/12/2017	**14,251**	**39,342**	**2,539**	**11,132**	**74**	**-613**

Deferred tax on unrealised gains/losses	Currency translation reserve	Total income recognised directly in equity	Retained profits brought forward	Consolidated net income after non-controlling interests	Total compre-hensive income	Equity of the shareholders of OVB Holding AG	Non-controlling interests	Total
111	**630**		**9,056**	**12,142**		**88,664**	**569**	**89,233**
54			17					
			2,505					
165	**630**		**11,578**	**12,142**		**91,169**	**569**	**91,738**
			12,142	-12,142				
			-10,688			-10,688	-255	-10,943
		-2			-2	-2		-2
	-99	-99			-99	-99		-99
-5		25			25	25		25
				9,616	9,616	9,616	109	9,725
160	**531**	**-76**	**13,032**	**9,616**	**9,540**	**90,021**	**423**	**90,444**

Deferred tax on unrealised gains/losses	Currency translation reserve	Total income recognised directly in equity	Retained profits brought forward	Consolidated net income after non-controlling interests	Total compre-hensive income	Equity of the shareholders of OVB Holding AG	Non-controlling interests	Total
81	**933**		**7,216**	**12,536**		**87,746**	**524**	**88,270**
			12,536	-12,536				
			-10,688			-10,688	-149	-10,837
15		-156			-156	-156		-156
			-8					
	-303	-303			-303	-303		-303
15		-77			-77	-77		-77
				12,142	12,142	12,142	194	12,336
111	**630**	**-536**	**9,056**	**12,142**	**11,606**	**88,664**	**569**	**89,233**

Notes to the consolidated financial statements for financial year 2018

I. General information

1. General information on the OVB Group

OVB Holding AG (hereinafter also referred to as "OVB" or "the Company") is a German stock corporation with its registered office in Cologne, Germany, at Heumarkt 1. The Company is recorded in Part B of the commercial register maintained at the Cologne Local Court (Amtsgericht) under registration number 34649. The Company's business is the management of enterprises involved particularly in providing advisory and brokerage services in connection with capital investments, building society savings contracts and insurance contracts as well as in providing advisory and brokerage services in relation to real property of all kinds.

The consolidated financial statements of OVB Holding AG for the financial year ended 31 December 2018 are released for publication on 21 March 2019 pursuant to a resolution of the Executive Board with the approval of the Supervisory Board.

2. Summary of basic principles of financial accounting

As a listed parent company whose shares are admitted to trading on an organized market within the meaning of Section 2 (5) WpHG (Securities Trading Act), OVB Holding AG has prepared its consolidated financial statements pursuant to Section 315e HGB (Commercial Code) in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union, released by the International Accounting Standards Board (IASB). All International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) subject to mandatory application for financial year 2018 as well as the interpretations released by the IFRS Interpretations Committee and the Standing Interpretations Committee (SIC) have been taken into account. The additional trade law requirements under Section 315e (1) HGB have also been complied with.

The separate IFRS financial statements of the subsidiaries included in the consolidated financial statements of OVB Holding AG are based on consistent accounting and valuation principles. The IFRS financial statements have the same reporting date as the consolidated financial statements and were reviewed by independent auditors, provided those companies permanently provide brokerage services or assume material functions within the Group.

The consolidated financial statements are prepared in euros. Unless stated otherwise, all figures are rounded up or down to the nearest thousand euros (EUR'000) in accordance with commercial rounding principles. As the figures are presented in thousand euro increments, rounding discrepancies may arise in the individual case when single values are added up.

In addition to the consolidated statement of financial position and the consolidated income statement, the consolidated financial statements include the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to consolidated financial statements including segment reporting.

2.1 Mandatory accounting standards

In consideration of the following standards subject to first-time adoption, the accounting policies and valuation methods applied are the same as those applied in the previous year.

Standards applied for the first time

- **IFRS 9 Financial Instruments**
  Upon its entry into force as of 1 January 2018, IFRS 9 supersedes IAS 39 Financial Instruments: Recognition and Measurement including corresponding interpretations and governs the classification and measurement of financial instruments as well as their impairment. Within the context of retrospective application, changes result to items of the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, segment reporting and consolidated statement of changes in equity due to the reclassification of changes in value recognized in equity outside profit or loss to the income statement, presented in section I. 3.5 “Objectives and methods of financial risk management”. IFRS 9 has been applied without adjustment of comparative values.

- **IFRS 15 Revenue from Contracts with Customers**
  Upon its entry into force as of 1 January 2018, IFRS 15 supersedes IAS 18 and IAS 11 including corresponding interpretations, governs the reporting of sales and defines uniform principles for the presentation of information of relevance to financial statements regarding the type, amount and time of recognition as well as the uncertainties connected to the recognition of sales from contracts with customers. Values resulting from following the simplified, retrospective approach pursuant to IFRS 15. C3 (b) are presented and annotated under the relevant items of the consolidated statement of financial position and the consolidated statement of changes in equity. Adjustments are included in the opening statement of financial position as of 1 January 2018. The cumulative effect of the transition recognized in equity outside profit or loss amounts to EUR 2,505 thousand and results from earlier realization of partly discounted and pro-rata new business commission. The effects of the adoption of IFRS 15 are presented in detail in the section IV. 1 “Adoption of IFRS 15”.

- **IFRIC 22 Foreign Currency Transactions and Advance Consideration**
  IFRIC 22 was released by the IFRS Interpretations Committee on 8 December 2016. This interpretation clarifies which exchange rate has to be applied for a foreign currency transaction in functional currency if the entity has made or received advance payments in a foreign currency. Advance payments made by OVB Holding AG are in the functional currency which is why adoption does not have any effect.

- **Improvements to IFRS Cycle 2014 – 2016**
  Within the framework of the project intended to introduce minor improvements to standards and interpretations (Annual Improvements Process) for the 2014-2016 cycle, there were amendments to three standards altogether. The amendments address IFRS 1, IFRS 12 and IAS 28. No material effects on the consolidated financial statements resulted from these amendments.

Released standards not yet subject to mandatory application

The following standards have been released but are not yet subject to mandatory application or may only be applied in future reporting periods after their endorsement by the EU.

- **Improvements to IFRS**
  Within the framework of its project intended to introduce minor improvements to standards and interpretations (Annual Improvements Process), the IASB has released a collection of “Improvements to IFRS” (cycle 2015 – 2017), resulting in minor amendments to four standards altogether. The amendments address IAS 12, IAS 23, IFRS 3 and IFRS 11 and are effective as of 1 January 2019, subject to pending EU endorsement. No material effects on the consolidated financial statements will result from these amendments.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (amendments)**
  The amendments to IAS 1 and IAS 8 were released in October 2018 and include a more narrow definition of the term “material”. In addition to that, the amendments aim at aligning the term with the general concept as well as with other standards. Amendments are subject to application as of 1 January 2020. No material effects on the consolidated financial statements will result from these amendments.

- **IAS 19 Employee Benefits (amendments)**
  The amendment to IAS 19 includes the future commitment to recalculate the current service cost and net interest for the remaining financial year in case of a change, reduction or settlement of a defined benefit pension commitment in applying the actuarial assumptions used for the recalculation of corresponding net liabilities. Amendments are effective as of 1 January 2019, subject to pending EU endorsement. No material effects on the consolidated financial statements will result from these amendments.

- **IAS 28 Investments in Associates and Joint Ventures (amendments)**
  The amendments to IAS 28 include the clarification that an entity that holds long-term investments in an associate or a joint venture which is part of a net investment in that entity yet not accounted for under the equity method shall apply IFRS 9 including its impairment approach. Amendments are effective as of 1 January 2019, subject to pending EU endorsement. No material effects on the consolidated financial statements will result from these amendments.

- **IFRS 3 Business Combinations (amendments)**
  With the amendment to IFRS 3, the definition of a business will no longer solely require the availability of economic resources (inputs) but also a substantial process, used together for producing the output. Amendments are effective as of 1 January 2020, subject to pending EU endorsement. No material effects on the consolidated financial statements will result from these amendments.

- **IFRS 16 Leases**
  IFRS 16 was released in January 2016 and defines principles for the recognition, measurement and reporting as well as the scope and content of the notes with respect to existing leases. Upon its entry into force, IFRS 16 supersedes IAS 17 (including corresponding interpretations) and is applicable for financial years beginning on or after 1 January 2019. As the key requirement of IFRS 16, the lessee must generally recognize all leases and the respective contractual rights and obligations in the statement of financial position. Thus assets previously classified as operating leases might have to be entered in the statement of financial position. This does not apply to assets valued below 5,000 US dollars or with terms of less than twelve months.

  For first-time adoption OVB makes use of the practical approach pursuant IFRS 16.C3 and applies transitional provisions solely to leases already identified as leases in accordance with IAS 17 and IFRIC 4 prior to the date of first-time adoption. The effect of first-time retrospective adoption is recognized under revenue reserve as cumulative adjustment to the corresponding value in the opening statement of financial position as of first-time adoption; an adjustment of comparative information is waived.

  The amount of the lease liability equals the present value of the remaining lease payments of the respective lease at the time of first-time adoption. The amount linked to the right of use is determined according to the present value of the lease as if that lease had been previously measured in accordance with IFRS 16, less any lease payments already made.

  Leases under remaining terms of less than twelve months as of the date of first-time adoption are treated as short-term leases and resulting expenses are recognized as expenses for short-term leases.

  Total minimum lease payments under finance and operating leases with terms of more than one year amount to EUR 3,066 thousand (previous year: EUR 4,434 thousand).

- **IFRIC 23 Uncertainty over Income tax Treatments**
  IFRIC 23 was released on 7 June 2017. This interpretation includes rules for the recognition and measurement of task risk items in case respective tax law is not applicable to a specific transaction. Resulting uncertainties are to be considered for the accounting treatment of tax liabilities or tax assets if it appears probable that the respective tax amounts will be paid or reimbursed. IFRIC 23 is meant to bridge the regulatory gap left by IAS 12 in this regard. The effects of IFRIC 23 are currently being examined. The interpretation is effective for reporting periods beginning on or after 1 January 2019.

- **Further amendments: IAS 40 and IFRS 2**
  Furthermore, the standards IAS 40 (Investment Property) and IFRS 2 (Share-based Payment) have been amended. As these standards are not applied at OVB, no effects are to be expected.

There are no other standards or interpretations not yet subject to mandatory application that have a potential material effect on the Group.

2.2 Principles of consolidation

The consolidated financial statements for the financial year ended 31 December 2018 incorporate OVB Holding AG and the entities under its control. Control applies if OVB directly or indirectly holds more than 50 per cent of the voting rights in an entity or if it can influence the financial and business policies of an entity in such a way that it benefits from the entity's activities.

The consolidated financial statements contain all assets and (contingent) liabilities as well as all expenses and income of OVB Holding AG and the subsidiaries under its control after elimination of all intra-group transactions by way of consolidation of investments, liabilities, expenses and income as well as the elimination of interim results.

Subsidiaries are fully consolidated as of the date when OVB Holding AG assumes control. Inclusion in the consolidated financial statements by way of full consolidation ends as soon as an entity is no longer controlled by the parent.

In addition to OVB Holding AG, the following subsidiaries have been included in the consolidated financial statements:

Consolidated entities	Interest in per cent 2018	Equity in EUR'000 31/12/2018	Net income in EUR'000 31/12/2018
Nord-Soft EDV-Unternehmensberatung GmbH, Horst	50.40	828	251
Nord-Soft Datenservice GmbH, Horst	50.40	25	0
OVB Informatikai Kft., Budapest	100	58	-6
EF-CON Insurance Agency GmbH i.L., Vienna	100	106	1
OVB SW Services s.r.o., Prague	100	7	0
OVB Vermögensberatung AG, Cologne*	100	17,853	0
Advesto GmbH, Cologne	100	87	-39
Eurenta Holding GmbH Europäische Vermögensberatung, Cologne	100	-1,353	191
OVB Allfinanz a.s., Prague	100	1,500	81
OVB Allfinanz Slovensko a.s., Bratislava	100	4,779	2,929
OVB Allfinanz Polska Spółka Finansowa Sp. z.o.o., Warsaw	100	1,599	937
OVB Vermögensberatung A.P.K. Kft., Budapest	100	3,561	3,048
TOB OVB Allfinanz Ukraine, Kiev	100	190	2
OVB Allfinanz Romania Broker de Asigurare S.R.L., Cluj	100	681	448
OVB Imofinanz S.R.L., Cluj	100	-3	-3
OVB Allfinanz Croatia d.o.o., Zagreb	100	277	55
OVB Allfinanz Zastupanje d.o.o., Zagreb	100	329	77
OVB Allfinanzvermittlungs GmbH, Wals near Salzburg	100	4,107	998
OVB Vermögensberatung (Schweiz) AG, Steinhausen	100	831	96
OVB-Consulenza Patrimoniale SRL, Verona	100	3,010	984
OVB Allfinanz España, S.A., Madrid	100	4,262	2,392
OVB (Hellas) Allfinanz Vermittlungs GmbH & Co. KG, Bankprodukte, Athens	100	72	-180
Eurenta Hellas Monoprosopi Eteria Periorismenis Efthynis Asfalistiki Praktores, Athens	100	-9	-94
OVB Hellas Allfinanz Vermittlungs GmbH, Athens	100	-1	-1
OVB Conseils en patrimoine France Sàrl, Strasbourg	100	895	334

*Profit and loss transfer agreement applies

With respect to all listed subsidiaries, indicated interests correspond to the respective voting rights share.

Equity and net income for the period attributable to non-controlling shareholders are reported separately in the consolidated statement of financial position, the consolidated income statement and the consolidated statement of comprehensive income respectively. Assets and liabilities of consolidated entities with non-controlling shareholders are as follows:

	Nord-Soft EDV-Unternehmensberatung GmbH		Nord-Soft Datenservice GmbH	
EUR'000	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Non-current assets	228	329	0	0
Current assets	840	1,046	29	31
Non-current liabilities	0	11	0	0
Current liabilities	295	242	4	6

Non-current assets of Nord-Soft EDV-Unternehmensberatung GmbH essentially include own-use property with a book value of EUR 255 thousand as of 31 December 2018 (31 December 2017: EUR 295 thousand). Sales generated with third parties in the year under review amount to EUR 928 thousand for Nord-Soft EDV-Unternehmensberatung GmbH (31 December 2017: EUR 875 thousand) and EUR 283 thousand for Nord-Soft Datenservice GmbH (31 December 2017: EUR 223 thousand).

2.3 Foreign currency translation

2.3.1 Foreign currency transactions

Foreign currency transactions are generally translated at the closing exchange rate of the transaction date. Monetary items denominated in foreign currencies (e.g. liquid assets, receivables, liabilities) are consequently translated at the respective closing exchange rates and any translation differences are recognised in the income statement through profit or loss. Non-monetary items valued at historical cost continue to be translated at historical exchange rates. The historical exchange rate equals the exchange rate as of the item's first-time recognition.

2.3.2 Foreign entities

Separate financial statements in a foreign currency are translated according to the functional currency approach under IAS 21 in application of the modified closing rate method. The assets and liabilities of the consolidated foreign entities, all of which are financially independent as well as independently organized and operated, are translated at the closing exchange rate of the reporting date while expenses and income are translated at average annual exchange rates and equity items are translated at historical exchange rates. Translation differences are recognized in equity outside profit or loss.

The exchange rates of relevance to the consolidated financial statements have developed in relation to the euro as follows:

EUR	Closing rate 31/12/2018	Closing rate 31/12/2017	Change in %	Average rate 2018	Average rate 2017	Change in %
CHF	0.887694	0.854974	3.83	0.865878	0.900520	-3.85
CZK	0.038835	0.039094	-0.66	0.038969	0.037970	2.63
HUF	0.003112	0.003219	-3.32	0.003135	0.003230	-2.94
HRK	0.134777	0.134758	0.01	0.134707	0.133840	0.65
PLN	0.232468	0.239257	-2.84	0.234554	0.234750	-0.08
RON	0.214228	0.213553	0.32	0.214494	0.218620	-1.89
UAH	0.031251	0.029405	6.28	0.030918	0.033100	-6.59

3. Summary of essential accounting policies and valuation methods

3.1 Historical cost convention and fair value

Generally speaking, the amortized acquisition cost, or historical cost, of assets and liabilities constitutes the maximum reportable value.

However, securities of the categories “fair value through profit & loss (FVPL)” and “fair value through other comprehensive income (FVOCI)” are exceptions to this rule as they are recognized at fair value. The fair value is defined as the amount that would be received for the sale of an asset or paid for the transfer of a liability in a business transaction between market participants as of the cut-off date.

The fair value of securities, if applicable, corresponds to the listed market price in an active market (level 1 according to IFRS 13). If no such market prices in an active market are available, fair value is determined on the basis of the requirements defined by IFRS 13.61 according to an appropriate valuation model. Unrealized gains or losses are generally recognized in equity outside profit or loss. If such a security is disposed of, the cumulative gains or losses previously recognized directly in equity are then reclassified to the income statement through profit or loss. If the security is permanently impaired, the cumulative losses previously recognized outside profit or loss are then also reclassified to the income statement.

3.2 Financial instruments

Financial assets and liabilities are recognized in the consolidated statement of financial position only when a company of the OVB Group becomes a contracting party with respect to the contractual provisions of the respective financial instrument. Recognition thus takes place as of the settlement date.

Classification according to measurement categories is based on the identification of the business model under which contractual cash flows are collected as well as an assessment of the terms of the cash flows by way of the SPPI test (Solely Payment of Principal and Interest).

The OVB Group’s financial instruments can be divided into the categories as listed below:

Amortized Cost (AC)
Financial instruments measured at amortized cost are recognized at fair value upon addition. Insofar as future impairment is anticipated, it is considered for measurement unless immaterial. No-interest or low-interest bearing financial instruments with terms of more than one year are measured at present value. Subsequent to first-time recognition, such financial instruments are measured at amortized cost. That is the amount at which a financial asset was valuated upon first-time recognition, less repayments, plus or less the cumulative amortization of any difference between the originally assigned value and the amount repayable at final maturity based on the effective interest method, and less any valuation allowances for expected credit loss.

Fair Value through Profit or Loss (FVPL)
Financial instruments measured at fair value through profit or loss are recognized at fair value upon addition. Gains or losses resulting from subsequent measurement are to be recognized in profit or loss.

Fair Value through Other Comprehensive Income (FVOCI)
Debt instruments and equity instruments measured at fair value outside profit or loss are recognized at fair value upon addition. Gains or losses resulting from subsequent measurement are to be recognized in equity outside profit or loss. Upon disposal of debt instruments, gains or losses included in revaluation reserve are to be recognized in the income statement. With respect to equity instruments, there is no reclassification of the revaluation reserve equity through profit or loss. Interest income, valuation allowances and exchange rate gains are recognized in the income statement through profit or loss.

3.2.1 Impairment and reversal of impairment loss of financial assets

As of each reporting date, expected credit losses are considered for valuation allowances for financial assets/contract assets measured at amortized cost. Present values of classical default scenarios are multiplied by the corresponding probability of occurrence. The initial effective interest rate is applied for discounting.

Stage transfer
Upon first-time assessment of future credit loss, the impairment equals expected credit losses within the next twelve months. If a significant increase in credit risk compared to the initial assessment materializes at a later reporting date, the impairment equals expected credit losses over the entire remaining term of the asset.

Simplified approach
For trade receivables without significant financing component, expected credit losses are determined collectively for a group of assets with the same credit risk characteristics and recognized as a risk provision item over the asset term pursuant to IFRS 9.5.5.15.

3.3 Recognition of sales

OVB generally recognizes sales at the time the agreed performances have been provided to the client (satisfaction of performance obligation). In case of uncertainty with respect to the recognition of sales, the date of actual cash inflow is taken into account. In the event that commissions are refunded to a product partner if contracts are cancelled or in the event of non-payment, provisions are made on the basis of historical figures (provisions for cancellation risk). Changes in provisions for cancellation risk are recognized on account of sales. Considering potential refunds of commissions already received in case of cancellation, sales represent variable consideration for the purpose of IFRS 15 due to the element of uncertainty in the amounts of revenue.

Sales from subsequent commission are recognized as contract asset under “Receivables and other assets”. Subsequent commission is estimated on the basis of the most probable amount at which a significant cancellation of recorded sales is deemed highly improbable. Corresponding brokerage expenses to be handed on to the sales force are included in provisions from subsequent commission.

OVB recognizes sales as new business commission, policy service commission and dynamic commission.

OVB is paid new business commission for the successful brokerage of an insurance policy. Settlement follows either a discounted, partly discounted or pro-rata approach. With respect to partly discounted and pro-rata new business commission received in the categories unit-linked provision products, other provision products, property, legal expenses and accidence insurance, investment funds and health insurance, sales are recognized at an earlier point in time for the sales portion attributable to the successful brokerage of the contract yet settled only in later reporting periods; in doing that, assumptions are made with respect to the probable term in consideration of future contract cancellations.

OVB is paid policy service commission for the policy holder’s continuous support. The performance is thus rendered over a certain period of time so that sales are to be realized over that time period accordingly.

OVB is paid dynamic commission for premium raises over the contract term. Dynamic commission is recognized with respect the point in time the policy holder’s withdrawal period due to the premium raise has run out.

3.4 Discretionary decisions

All of the necessary estimates and assessments in connection with accounting treatment and valuation in accordance with the IFRS comply with the respective accounting standard. Estimates are continually reviewed and are based on experience as to future events. Estimates also consider all events with historical origins known as of the reporting date that have a material effect on future periods.

In preparing the consolidated financial statements, assumptions have been made and estimates applied which had an effect on the disclosure and amount of assets and contingent liabilities entered in the statement of financial position.

The following is an explanation of the most relevant forward-looking assumptions and other material sources of estimate uncertainty as of the reporting date which entail the estimation risk that a material adjustment might have to be made to the carrying amounts of assets and liabilities within the next financial year.

These assumptions and estimates essentially relate to the measurement of provisions and legal risks, the collectability of receivables and deferred taxes on loss carry-forward, impairment of goodwill and depreciation/amortization or rather the determination of the useful lives of assets, especially of intangible assets. Actual values may deviate in the individual case from the assumptions and estimates made. Changes are recognized at the time better information becomes available.

For making provisions, estimates of the expected expense required in fulfilment of the current obligation as of the reporting date are made annually, with reasonable regard to the risk involved. If the probability of occurrence is known for a large number of contingencies, an estimated value is determined, and if a bandwidth is known and the probability of occurrence is equally high for each item within this bandwidth, an average amount is determined. In all other cases, the best estimate corresponds to the most probable value. For the calculation of provisions for cancellation risk, historical data for cancellation rates and the probability of cancellation are considered as the basis of estimated future cancellations of contracts. Future cancellation behaviour may vary from the estimate made as of the reporting date. Ceteris paribus an increase of the cancellation rate leads to a straight-line increase of the provisions for cancellation risk. Furthermore, periods of liability for separate product groups and current agreements with respect to liability rates are considered. The book value of provisions for cancellation risk can be found under position 21 “Other provisions” in the notes to the consolidated statement of financial position.

Receivables are recognized at amortized cost less any necessary valuation allowance. Specific valuation allowances are calculated on the basis of individual risk assessment in consideration of all available information on the credit rating of the debtor and the age structure of the receivables. Because of the large number of receivables due from different individual sources, lump sum valuation allowances are also made on the basis of a homogeneous classification of non-significant receivables that share a consistent profile relating to risks and opportunities, based on an assessment of the respective debtor's value-defining factors. The book value of receivables can be found under positions 5 and 6 in the notes to the consolidated statement of financial position.

The annual impairment tests of goodwill are based on multi-year budget figures that are generally subject to uncertainty inherent in the budgeting process. Impairment testing requires an estimate of the value in use of the respective cash-generating unit. For the determination of the value in use, estimates of expected future cash flows are required. In addition to that, required parameters for determining the value in use are determined. These parameters essentially involve the risk-free interest rate and a risk premium. The book value of goodwill can be found under position 1 in the notes to the consolidated statement of financial position.

For the capitalization of deferred tax on loss carry-forward, the taxable income of future years must be estimated. This estimate is based on the multi-year budget planning of the individual group divisions. Actually realizable future income may vary from the budget figures. The book value of deferred tax assets can be found under position 4 in the notes to the consolidated statement of financial position.

Insofar as estimates were necessary to a larger extent, the underlying assumptions are explained in detail in the following explanatory notes to the respective item.

Changes in estimates related to financial accounting
The utilization potential of a sales-supporting software solution has been increased after functionality enhancements have been implemented; a reassessment has resulted in an extension of its economic useful life from five to ten years. The residual book value as of 1 June 2018 plus subsequent production cost is depreciated over the remaining useful life until June 2024 under the straight-line method. This change results in depreciation expense reduced by EUR 320 thousand for the reporting period as of 31 December 2018.

3.5 Objectives and methods of financial risk management

The objectives of capital management are based on OVB's financial strategy, components of which are safeguarding liquidity in day-to-day operations and guaranteeing access to the capital market at any time. Measures for reaching the targets of capital management are dividend policy, equity transactions, providing liquid assets for acquisitions and avoiding interest-bearing debt. OVB pursues a corporate policy according to which the Company's shareholders participate adequately in the business success. The Executive Board has the objective to keep distributing the Company's profits to the shareholders. There is still no need for either short-term or long-term outside financing. Our financial management is oriented towards the high degree of equity financing determined in our financial strategy. The capital structure of OVB Holding AG is distinguished by a solid equity ratio of 48.5 per cent (31 December 2017: 51.6 per cent). The Group utilizes various financial instruments that are a direct result of its business activities. The material risks to which the Group is exposed in connection with financial instruments include liquidity risk, currency risk, credit risk and interest rate risk. By means of the risk management system implemented by the Company's management, risks are routinely analyzed and promptly reported. The risk management system identifies gross exposure, i.e. the risks that will materialize if no measures are taken by the Company, and net risk, i.e. the residual risk that remains after appropriate measures have been taken. The risk report is delivered at regular intervals; reports are given directly to the Company's management in case of increased individual risks. The Company's management decides on strategies and procedures for managing individual types of risk explained below in the respective sub-sections.

The following tables show the reconciliation of measurement categories of financial assets according to IAS 39 to the new measurement categories according to IFRS 9:

AC EUR'000	31/12/2017	Reclassification	Revaluation	01/01/2018
Financial assets				
Opening statement of financial position according to IAS 39	0			
Addition from L+R (IAS 39)		5,096		
Revaluation			0	
Closing statement of financial position according to IFRS 9				5,096
Trade receivables				
Opening statement of financial position according to IAS 39	0			
Addition from L+R (IAS 39)		29,243		
Revaluation			0	
Closing statement of financial position according to IFRS 9				29,243
Receivables				
Opening statement of financial position according to IAS 39	0			
Addition from L+R (IAS 39)		19,803		
Revaluation			0	
Closing statement of financial position according to IFRS 9				19,803
Other capital investments				
Opening statement of financial position according to IAS 39	0			
Addition from L+R (IAS 39)		13,510		
Revaluation			0	
Closing statement of financial position according to IFRS 9				13,510
Cash and cash equivalents				
Opening statement of financial position according to IAS 39	0			
Addition from L+R (IAS 39)		55,521		
Revaluation			0	
Closing statement of financial position according to IFRS 9				55,521
	0	**123,173**	**0**	**123,173**

FVPL EUR'000	31/12/2017	Reclassification	Revaluation	01/01/2018
Securities				
Opening statement of financial position according to IAS 39	0			
Addition from AfS (IAS 39)		22,901		
Revaluation			0	
Closing statement of financial position according to IFRS 9				22,901
	0	**22,901**	**0**	**22,901**

FVOCI EUR'000	31/12/2017	Reclassification	Revaluation	01/01/2018
Securities				
Opening statement of financial position according to IAS 39	0			
Addition from AfS (IAS 39)		3,002		
Revaluation			0	
Closing statement of financial position according to IFRS 9				3,002
	0	**3,002**	**0**	**3,002**

AC = Amortized Cost / FVPL = Fair Value through Profit or Loss / FVOCI = Fair Value through Other Comprehensive Income

L+R = Loans and Receivables / AfS = Available-for-Sale

The following table shows the book values of all financial assets reported in the consolidated financial statements. The comparative values as of 31 December 2017 are presented according to the new categories under IFRS 9.

EUR'000		31/12/2018	31/12/2017
Financial assets	AC	12,079	5,096
Trade receivables	AC	32,764	29,243
Receivables and other assets		34,486	23,553
Receivables	AC	18,578	19,803
Other assets	–	2,935	3,750
Contract asset (IFRS 15)	–	12,973	0
Securities and other capital investments		41,475	39,413
Securities	FVPL	23,780	22,901
Securities	FVOCI	3,515	3,002
Other capital investments	AC	14,180	13,510
Cash and cash equivalents	AC	46,513	55,521

AC = Amortized Cost / FVPL = Fair Value through Profit or Loss / FVOCI = Fair Value through Other Comprehensive Income

L+R = Loans and Receivables / AfS = Available-for-Sale

All book values of financial assets except for securities measured at fair value correspond to a reasonable approximation of respective fair value. Aggregated according to the measurement categories defined under IFRS 9, the book values of financial instruments can be broken down as follows:

EUR'000		Book value 2018	Amortised cost	Historical cost	Change in value outside profit or loss	Change in value through profit or loss
Financial assets	AC	124,114 (previous year: 123,173)	124,114 (previous year: 123,173)	-	-	-19,882 (previous year: -21,026)
Financial assets	FVPL	23,780 (previous year: 22,901)	-	24,723 (previous year: 23,073)	-	-943 (previous year: -172)
Financial assets	FVOCI	3,515 (previous year: 3,002)	-	3,514 (previous year: 3,013)	1 (previous year: -11)	-
Financial liabilities	AC	51,441 (previous year: 49,081)	51,441 (previous year: 49,081)	-	-	-

AC = Amortized Cost / FVPL = Fair Value through Profit or Loss / FVOCI = Fair Value through Other Comprehensive Income

L+R = Loans and Receivables / AfS = Available-for-Sale

The Company's current financial liabilities fall under the category "financial liabilities (AC)" measured at amortized cost. The category "financial assets (AC)" includes all of the Company's financial receivables, loans reported as financial assets, fixed-term deposits and liquid assets with a maturity of more than three months reported as other short-term capital investments, short-term loans and cash and cash equivalents. In order to improve comparability with the following tables, the book values shown for each asset category are the net carrying amounts, i.e. after consideration of impairment. Depending on the terms of contractual cash flows, securities are classified either as financial assets measured at fair value through profit or loss or outside profit or loss.

Neither in the reporting year nor in the previous year were financial assets reclassified for the purpose of IFRS 7.12.

As of 31 December 2018 receivables with a book value of EUR 3 thousand were overdue but not impaired (31 December 2017: EUR 0 thousand). These receivables are essentially only a few days overdue based on invoicing processes.

Financial assets with a total book value of EUR 3,412 thousand (31 December 2017: EUR 3,196 thousand) were pledged as collateral. Collateral is granted to individual product partners for protection against discount risk. The amount is based on the respective business volume of previous reporting periods.

The following table shows the net result from financial instruments broken down by measurement category:

			From subsequent measurement			Net result
EUR'000		**From interest and similar income**	**At fair value**	**Valuation allowance / Appreciation in value**	**From disposal**	**Total**
Financial assets	AC	247 (previous year: 225)	-	-835 (previous year: -1,632)	-390 (previous year: -161)	-978 (previous year: -1,568)
Financial assets	FVPL	187 (previous year: 139)	83 (previous year: -132)	-782 (previous year: 41)	0 (previous year: 17)	-512 (previous year: 65)
Financial assets	FVOCI	1 (previous year: 5)	1 (previous year: -15)	-	-	2 (previous year: -10)
Financial liabilities	AC	-52 (previous year: -66)	-	-	1,262 (previous year: 1,086)	1,210 (previous year: 1,020)
Total		383 (previous year: 303)	84 (previous year: -147)	-1,617 (previous year: -1,591)	872 (previous year: 942)	-278 (previous year: -493)

Foreign currency effects included in net result are immaterial and therefore not reported separately. Net result includes EUR 73 thousand (31 December 2017: EUR 171 thousand) recognized outside profit or loss in equity.

OVB reports the above-mentioned expenses and income included in net result under "financial result" with the exception of:

- "Valuation allowances for receivables" assigned to financial assets measured at amortized cost that are reported under distribution expenses as essentially receivables from sales agents are concerned,
- income from cancelled obligations assigned to other operating income and
- adjustments to the fair value of financial instruments outside profit or loss recognized directly in equity.

The net result from valuation allowances for financial assets measured at amortized cost consists of expenses for valuation allowances and income from appreciation in value.

Total interest income from financial assets amounted to EUR 435 thousand in the year under review (31 December 2017: EUR 369 thousand). Total interest expense for financial liabilities was EUR 52 thousand (31 December 2017: EUR 66 thousand).

3.5.1 Credit risk

The group companies are exposed to default risks relating to receivables from sales agents. OVB counters these risks by retaining securities, running an active accounts receivable management at the respective subsidiaries and practicing a careful selection of financial agents. Credit risk relating to product partners is curtailed by a restrictive selection process.

Cancellation risks are adequately covered by corresponding provisions. With respect to the Group's other financial assets such as cash, cash equivalents and financial assets, the maximum credit risk in the event of counterparty default is the carrying amount of these instruments. Subsequent to their initial recognition they are measured at amortized cost. This is the amount at which a financial asset was initially valuated, less repayments, plus or less the cumulative amortization of any premium/discount and less any allowances for impairment.

The maximum default risk in the category “financial assets (AC)” is equivalent to the carrying amount of EUR 124,114 thousand (31 December 2017: EUR 123,173 thousand) and to receivables from third parties arising in case of the utilization of guarantees if applicable (cf. IV. “Other information”). Securities held as collateral for this purpose come to EUR 3,951 thousand (31 December 2017: EUR 8,962 thousand) so that the residual risk amounts to EUR 120,163 thousand (31 December 2017: EUR 114,211 thousand). No material terms and conditions were renegotiated in the year under review.

The maximum amount of exposure in the category “financial assets (FVPL)” as of 31 December 2018 is equivalent to the carrying amount of EUR 23,780 thousand (31 December 2017: EUR 22,901 thousand).

The maximum amount of exposure in the category “financial assets (FVOCI)” as of 31 December 2018 is equivalent to the carrying amount of EUR 3,515 thousand (31 December 2017: EUR 3,002 thousand).

There were no indications of impaired value of financial assets that were neither overdue nor impaired as of the reporting date.

For the monitoring of risks associated with receivables from financial agents and receivables from employees, please refer to the explanatory notes on valuation allowances for other receivables.

As of the reporting date there were no receivables whose conditions had been renegotiated in the year under review and that would otherwise have been overdue or impaired.

Financial assets subject to valuation allowances as of the reporting date can be broken down as follows:

EUR’000		Gross amount	Valuation allowance	Book value (net)
Financial assets	AC	26,604 (previous year: 27,424)	-19,882 (previous year: -21,026)	6,722 (previous year: 7,504)
Financial assets	FVPL	22,455 (previous year: 22,455)	-854 (previous year: -243)	21,601 (previous year: 20,175)
Financial assets	FVOCI	0 (previous year: 0)	0 (previous year: 0)	0 (previous year: 0)

With regard to receivables, other assets and financial assets that were neither impaired nor overdue, there are no circumstances as of the reporting date to suggest that the respective debtors will not meet their payment obligations.

3.5.2 Currency risk

Currency risks within the meaning of IFRS 7 arise as a result of financial instruments denominated in a currency other than the functional currency.

In the context of business operations, the individual group companies process and settle transactions almost exclusively in their respective functional currency. Material financial instruments (liquid assets, receivables, interest-bearing securities or debt capital instruments held, interest-bearing and non-interest-bearing liabilities) are also held almost exclusively in the functional currency. Immediately after the end of each financial year, the subsidiaries largely transfer their profits to the parent company.

The Group generates 35 per cent of sales (31 December 2017: 35 per cent) in functional currencies other than the euro. Translation differences from changes in exchange rates compared to the previous year were EUR 183 thousand in consolidated sales and EUR 105 thousand in consolidated net income. Changes in exchange rates between functional currencies and the euro may have an impact on consolidated net income and the consolidated statement of financial position. Exchange rates are constantly monitored and foreign currency holdings are continuously revalued in order to make allowance for currency risks arising from changes in exchange rates.

3.5.3 Interest rate risk

The Group is exposed to interest rate risks in the form of potential interest rate fluctuations. Interest rate risks are presented by way of sensitivity analyses in accordance with IFRS 7. They show the effects of changes in market interest rates on interest income and expense, other income components and, if applicable, on equity. For the sensitivity analysis with respect to fixed-interest securities, information on changes in prices at corresponding changes in market interest rates is taken into consideration (basis point value).

As of the reporting date, the Company had variable-interest assets valued at EUR 48,031 thousand (31 December 2017: EUR 58,901 thousand) and variable-interest liabilities of EUR 156 thousand (31 December 2017: EUR 110 thousand).
If market interest rates for the full year 2018 had been 100 basis points higher (lower), net income would have been EUR 479 thousand (31 December 2017: EUR 588 thousand) higher (lower).

3.5.4 Liquidity risk

The Group constantly monitors the risk of a potential liquidity squeeze by means of a liquidity planning report. This report is prepared weekly or monthly and takes into account the terms to maturity of financial investments and financial assets (e.g. receivables, other financial assets) as well as anticipated cash flows from operating activities. No liquidity shortfalls were identified at any time during the reporting period.

3.5.5 Tax risk

Tax risk may result in particular from tax audit risks and risks from fiscal court proceedings. Tax risk especially comprises tax on wages and value-added tax for participation of office staff and business partners in incentives and events. There is also the latent income tax risk concerning the acceptance of cross-border cost allocation. These risks are reported in accordance with the general principles of recognition of liabilities if more reasons speak in favour of utilization than against it as of the reporting date.

4. Consolidated assets

4.1 Non-current assets

Tangible and intangible non-current assets with a low cost base were written off in full in the year of acquisition and recognized as disposals.

4.1.1 Intangible assets

Intangible assets include both purchases and in-house developments of software, purchased trademarks and goodwill.

The following conditions must be met for the capitalization of in-house developments of intangible assets:
- An intangible asset must be identifiable, i.e. it can be separated from the Company and sold, transferred, licensed, let or swapped.
- Completion of the intangible asset is technically feasible to a degree that it can be used or sold.
- Intent to complete and use or sell the intangible asset.
- Ability to use or sell the intangible asset and to restrict access of third parties to its benefit.
- Reliable determination of acquisition or production cost.
- Availability of adequate technical, financial and other resources toward the completion of development and the intangible asset's use or sale.
- Probability is given that the in-house generated asset will yield future economic benefit.

In accordance with IAS 38.21, software development costs are capitalized in the OVB Group if inflow of an economic benefit attributable to the created software is probable and the cost can be determined reliably. If these criteria for capitalization are not met, the expenditure on the item is recognized in the income statement through profit or loss for the year it is incurred.

Software and other intangible assets (not including goodwill) are initially valuated at cost including incidental transaction costs.

Software and other intangible assets (not including goodwill) are then measured at cost less cumulative amortization and impairment as of subsequent reporting dates.

Unless special circumstances make deviation necessary, amortization of intangible assets is calculated under the straight-line method on the basis of the following useful lives:

	Estimated useful lives
Software	3 – 10 years
Other intangible assets	3 – 10 years
Goodwill	No amortisation (IFRS 3)

In the year 2010 a CRM system was introduced at several of the OVB Group's subsidiaries. The software is gradually amortized over ten years, according to its introduction at the respective subsidiary, in application of the straight-line method. The period of the software's introduction extends over seven years. As the individualized national market modules are introduced subsequently and the software is constantly updated, the total amortization period for this asset will come to 17 years due to the scheduled introduction period throughout the Group.

Advance payments for software are measured at face value.

Until 31 December 2004 goodwill was amortized through profit or loss under the straight-line method over its useful life provided there was no impairment.

Due to the introduction of IFRS 3, existing goodwill was recognized at its value as of 31 December 2004 and amortization was discontinued after that date. The assigned value is deemed the new cost. Instead of amortization under the straight-line method, goodwill is subject to so-called impairment testing in accordance with IAS 36 at least once a year. Impairment testing involves justifying the value assigned to the respective asset ("impairment only approach"). Impairment testing for the period entails testing the relevant cash-generating units for impairment. Cash-generating units for the purpose of goodwill impairment tests are the entities forming the basis of the goodwill or divisions of these entities. These scheduled impairment tests are conducted regularly on the basis of recent multi-year budget figures. Within the framework of the most recent impairment tests, the value in use was determined as the recoverable amount. OVB applies a DCF procedure for determining value in use. If there are indications of impairment, additional tests are carried out during the reporting period independently of the mandatory annual impairment test.

The asset schedule shows how the values of intangible assets have changed over the financial year. There were no restrictions on disposal or pledges.

4.1.2 Tangible assets

Tangible assets are initially valuated at cost including incidental transaction costs.

Tangible assets are subsequently measured at cost less cumulative depreciation and impairment plus any reversal of impairment loss as of the following reporting dates.

Gains or losses upon asset disposal are determined by comparing sale proceeds with the carrying amount and recognized in profit or loss.

The estimated useful life is determined on the basis of anticipated physical wear and tear, technological obsolescence and legal and contractual restrictions.

Non-current assets are depreciated under the straight-line method over the following useful lives:

	Estimated useful lives
Own-use property	25 – 50 years
Machinery, equipment, furniture, vehicles, others	4 – 10 years
IT equipment	3 – 5 years
Tenant fixtures and fittings	5 – 13 years
Leased assets	3 – 5 years

4.1.3 Financial assets

Financial assets relate to loans to office staff and sales agents granted at market interest rates as well as an acquired bonded loan. Measurement is based on amortized cost less impairment if applicable.

4.1.4 Leases

Leases where all material risks and benefits incident to asset ownership are transferred to the lessee are classified as finance leases. The lessee capitalizes the leased assets and depreciates them over their useful lives. If a shorter term is agreed under the lease contract, that term is applied. Any liabilities under lease agreement are recognized accordingly and reduced by the repayment amount of the lease payments made.

If the above criteria are not met, the lease is classified as an operating lease. OVB is currently the lessee under operating as well as finance lease agreements.

Rental income under operating leases where OVB acts as lessor is recognized in profit or loss under position 26 “Other operating income”.

4.1.5 Impairment

Non-financial assets are reviewed for impairment within the meaning of IAS 36 according to risk management guidance if so-called triggering events indicate that the asset's carrying amount may not be recoverable (impairment test). Such objective indications or triggering events would include, for example, changes in market value, changes in market and business environment, changes in market interest rates or substantial indications in the Company's internal reporting that the ability to use the asset has changed for the worse or that the asset's earning capacity has diminished. Impairment loss is recognized as soon as it is determined in the context of impairment testing that an asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's net selling price and value in use. The net selling price is the amount obtainable by selling the asset under market conditions less cost to sell. The value in use is the cash or present value of estimated future cash flows expected to arise from the continued use of an asset and from its disposal at the end of its useful life. The recoverable amount is determined for each asset individually if possible or, if it is not, for the cash-generating unit the asset belongs to.

Goodwill recognized in the statement of financial position is reviewed for its future economic benefit in accordance with the methods described under note 4.1.1. The future economic benefit is determined on the basis of the recoverable amount. Impairment loss is recognized in profit or loss if the recoverable amount is lower than the carrying amount of the respective cash-generating unit.

4.2 Current assets

4.2.1 Receivables and other assets

Receivables and other assets are recognized at amortized cost less any necessary valuation allowance. Valuation allowances are determined on the basis of individual risk assessment and past experience.

Claims for commission acquired from financial agents against payment are recognized according to their nature as either non-financial assets or financial assets at amortized cost less commission expense saved. The reduction of the carrying amount by saved commission expense increases brokerage expenses by the full corresponding amount.

4.2.2 Securities

Securities are categorized according to the business model under which they are held and the terms of contractual cash flows. Thus securities can be designated as financial assets subject to subsequent measurement either at amortized cost (AC), at fair value through profit or loss (FVPL) or at fair value through other comprehensive income (FVOCI) outside profit or loss. Upon the first-time recognition of financial assets they are valuated at fair value plus incidental transaction costs.

After their first-time recognition, securities of the category “financial assets (AC)” are measured at amortized cost under the effective interest method. Premiums and discounts are allocated over the financial asset’s remaining term at constant effective interest.

Changes in fair value of securities measured at fair value through profit or loss are recognized directly in the income statement. In the category financial assets (FVOCI), changes in fair value are recognized in equity under the revaluation reserve and reclassified through profit or loss only when the gain or loss has been realized.

4.2.3 Cash and cash equivalents

Cash and short-term deposits recognized in the statement of financial position include cash-in-hand, bank balances and short-term deposits with original terms to maturity of less than three months. These items are recognized at face value.

Cash and cash equivalents as reported in the statement of cash flows comprise cash-in-hand and bank balances with terms to maturity of less than three months less current liabilities to banks.

5. Consolidated equity and liabilities

5.1 Non-current liabilities

Non-current liabilities are liabilities that fall due more than twelve months after the reporting date or whose payment OVB can postpone by at least twelve months from the reporting date, as well as liabilities paid outside the ordinary course of business.

5.1.1 Non-current provisions

Provisions for pensions
The calculation of provisions for pensions is based on the project unit credit method in accordance with IAS 19. Future obligations are measured on the basis of actuarial estimates. Such estimates take into account current mortality, disability and staff turnover rates. The interest rate applied in order to calculate the present value of pension obligations is based on the interest rate applicable to long-term first-class corporate bonds and comes to 0.80 per cent (31 December 2017: 0.60 per cent).

Provisions for employee benefits
Provisions for long-term benefits due to employees are particularly provisions for anniversary benefits that do not fall due within twelve months of the reporting date. They are generally measured at the present value of estimated future cash flows. The discount interest rate is oriented towards the interest rate applicable to long-term first-class corporate bonds.

5.2 Current liabilities

5.2.1 Provisions for taxes / Tax liabilities

Provisions are made for the income taxes of the individual entities based on the respective applicable domestic taxation if certain facts or circumstances are in dispute between the reporting entity and the respective tax authority.

Taxes on income from current and previous periods that have been assessed but not yet paid are stated as tax liabilities.

Deferred tax liabilities are reported under tax deferrals.

5.2.2 Other provisions

Cancellation risk
Provisions for cancellation risk are made for discounted commission relating to events after the reporting date as commission must be repaid in full or in part if a product partner claims a commission refund on the basis of contracts that have been cancelled. The amount of the provision is determined by the respective subsidiary based on nationally specific aspects (esp. period of liability, the subsidiary's historical cancellation rates, the expected timing of cancellations, etc.) as of each reporting date according to a uniform process implemented in the Group. The expected non-current portion of the provision is subject to discounting. The discount rate applied, appropriate to the term to maturity, is 0.00 per cent (31 December 2017: 0.00 per cent).

Unbilled obligations
Provisions are made for unbilled obligations if the amount of the obligation can only be estimated because the billable quantities and/or prices are unknown. This item primarily relates to unsettled accounts with financial agents. If specific details cannot be provided in the individual case, the provisions are measured at the average share of commission usually attributable to the sales force. Provisions are reviewed as of each reporting date and adjusted in accordance with the best available estimate at the time.

Litigation
Provisions are set aside for litigation in each case where OVB is the defendant in pending court proceedings as of the reporting date. The provision reflects the probable outcome of the legal dispute with due regard to the associated litigation risk. Provisions are reviewed as of each reporting date and adjusted in accordance with the best available estimate at the time.

Obligations to employees
Current provisions are recognized for obligations to employees if the maturity date and/or the amount of such obligations are uncertain. Provisions are reviewed as of each reporting date and adjusted in accordance with the best available estimate at the time.

Costs for financial statements / Audit cost
Entities of the OVB Group have the obligation under commercial law and tax law to prepare separate annual financial statements in accordance with the applicable domestic provisions as well as consolidated financial statements and, if the entity exceeds a certain size, to have their financial statements audited. This item also includes the anticipated cost of the audit of the 2018 consolidated financial statements.

Other obligations
Other obligations arise from accounts that are outstanding, particularly for goods and services that were supplied before the reporting date but have not yet been settled. Such provisions are recognized at expected settlement amounts.

5.2.3 Other liabilities

Trade payables
Trade payables are recognized at settlement amounts.

Loans
Interest-bearing bank loans are recognized at the disbursed amount at the time the loan is received. This amount usually equals the valued amount. Loans are subsequently appreciated in value up to the amount to be repaid by applying the effective interest method.

6. Consolidated income statement

The consolidated income statement has been prepared in application of the total cost method.

6.1 Income / Expenses

Please refer to note 3.3 for the recognition of sales.

The offsetting expense items are recognised on an accrual basis.

6.2 Financial result

Finance expense and finance income are recognised on an accrual basis.

6.3 Taxes on income

Actual income tax expense is calculated on the basis of earnings for the period as reported in the separate financial statements of the individual entities. Earnings before taxes are adjusted for tax-free and non-deductible items. The tax rates applicable as of the reporting date are applied in order to calculate income tax.

Deferred tax is calculated on the basis of the internationally recognized liability method. According to this method, deferred tax items are recognized for all temporary and quasi-temporary differences between the book values of an asset or liability according to IFRS and its tax base as reported by the individual entity, as well as for consolidation transactions. Furthermore, deferred tax assets are recognized for the future benefit of tax loss carry-forwards. However, a deferred tax asset will be recognized for accounting and valuation differences and for tax loss carry-forwards only to the extent that realization is sufficiently probable. Calculation was based on the budgeted medium-term earnings of the respective entities. Deferred taxes are measured on the basis of the respective expected domestic income tax rate.

As prescribed by IAS 12.53, deferred tax assets and tax liabilities are not discounted. Deferred tax assets and tax liabilities are reported in the consolidated statement of financial position as non-current assets and non-current liabilities.

If the temporary difference arising from first-time recognition of an asset or liability does not affect the taxable earnings, no deferred taxes are recognized unless the temporary difference arises in connection with a business acquisition.

Such items are generally recognized as tax income or expense in the income statement. An exception to this rule are items that are allocated to other comprehensive income outside profit or loss, in which case deferred tax on these items is recognized accordingly.

Deferred tax assets can be offset against deferred tax liabilities in accordance with IAS 12.74 if the entity has the legal right to settle on a net basis, the matter involves income taxes levied by the same taxing authority and the entity intends to realize the asset and settle the liability at the same time.

7. Explanatory notes and information on segment reporting

The principal business activity of OVB's operating subsidiaries consists of advising clients in structuring their finances and broking various financial products offered by insurance companies and other enterprises in this context. It is not feasible to break down the services provided to clients by product type. Within the group companies there are no identifiable and distinctive key sub-activities at group level. For this reason, the individual companies are each categorized as single-product companies. Consequently, segment reporting is based exclusively on geographic aspects as corporate governance and internal reporting to group management are also structured according to these criteria exclusively. In this regard, the operating subsidiaries represent operating segments for the purpose of IFRS 8 and are aggregated in three reportable segments in accordance with the criteria for aggregation provided by IFRS 8.12. All entities not involved in brokerage service operations are aggregated in the fourth segment, Corporate Centre. Compliant with IFRS, internal reporting to the Company's management is a condensed presentation of the income statement, presented more elaborately in segment reporting. The companies' earnings are monitored separately by the Company's management in order to measure and assess profitability. Due to the Improvements to International Financial Reporting Standards adopted by the EU by Commission Regulation No. 243/2010 of 23 March 2010, segment assets are not disclosed in the presentation of segment reporting compliant with IFRS 8.23 as this disclosure is not part of internal reporting.

The "Central and Eastern Europe" segment includes: OVB Vermögensberatung A.P.K. Kft., Budapest; OVB Allfinanz a.s., Prague; OVB Allfinanz Slovensko a.s., Bratislava; OVB Allfinanz Polska Społka Finansowa Sp. z o.o., Warsaw; OVB Allfinanz Romania Broker de Asigurare S.R.L., Cluj; OVB Imofinanz S.R.L., Cluj; OVB Allfinanz Croatia d.o.o., Zagreb; OVB Allfinanz Zastupanje d.o.o., Zagreb; and TOB OVB Allfinanz Ukraine, Kiev. Material contributions to the brokerage income of the Central and Eastern Europe segment are generated by OVB Allfinanz a.s., Prague at EUR 32,063 thousand (31 December 2017: EUR 34,354 thousand), OVB Allfinanz Slovensko a.s., Bratislava at EUR 39,392 thousand (31 December 2017: EUR 35,662 thousand) and OVB Vermögensberatung A.P.K. Kft., Budapest at EUR 25,375 thousand (31 December 2017: EUR 23,027 thousand).

The "Germany" segment comprises OVB Vermögensberatung AG, Cologne; Advesto GmbH, Cologne and Eurenta Holding GmbH, Cologne. In this segment brokerage income is primarily generated by OVB Vermögensberatung AG, Cologne.

The "Southern and Western Europe" segment includes the following companies: OVB Allfinanzvermittlungs GmbH, Wals near Salzburg; OVB Vermögensberatung (Schweiz) AG, Steinhausen; OVB-Consulenza Patrimoniale SRL, Verona; OVB Allfinanz España S.A., Madrid; OVB (Hellas) Allfinanz Vermittlungs GmbH & Co. KG, Bankprodukte, Athens; OVB Hellas Allfinanzvermittlungs GmbH, Athens; OVB Conseils en patrimoine France Sàrl., Strasbourg; and Eurenta Hellas Monoprosopi EPE Asfalistiki Praktores, Athens.

The "Corporate Centre" segment includes OVB Holding AG, Cologne; Nord-Soft EDV-Unternehmensberatung GmbH, Horst; Nord-Soft Datenservice GmbH, Horst; OVB Informatikai Kft., Budapest; EF-CON Insurance Agency GmbH, under liquidation, Vienna; and OVB SW Services s.r.o., Prague. The entities of the Corporate Centre segment are not involved in broking financial products but primarily concerned with providing services to the OVB Group. The range of services comprises particularly management and consulting services, software and IT services as well as marketing services.

Corresponding to the presentation in internal reporting to the Executive Board, the separate items are presented in segment reporting after consolidation of investments, inter-segment liabilities and expense and income and after the elimination of interim results. Intra-group dividend distributions are not taken into account. For intra-group allocations, an appropriate additional overhead charge is levied on the individual cost items incurred.

Reconciliations of segment items to corresponding consolidated items are made directly in the consolidation column in segment reporting. Recognition, disclosure and measurement of the consolidated items in segment reporting correspond to the items presented in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity.

Please refer to the disclosures of related-party transactions for information about relevant product partners.

Segment reporting 2018

of OVB Holding AG according to IFRS

EUR'000	Central and Eastern Europe	Germany	Southern and Western Europe	Corporate Centre	Consolidation	Consolidated
Segment income						
Income from business with third parties						
- Brokerage income	116,281	59,409	55,647	0	0	231,337
- New business commission	98,041	36,437	42,916	0	0	177,394
- Policy service commission	12,334	18,101	6,773	0	0	37,208
- Dynamic commission	1,445	4,292	3,065	0	0	8,802
- Other brokerage income	4,461	579	2,893	0	0	7,933
Other operating income	3,000	3,314	3,063	2,085	-54	11,408
Income from inter-segment transactions	36	1,144	6	11,767	-12,953	0
Total segment income	**119,317**	**63,867**	**58,716**	**13,852**	**-13,007**	**242,745**
Segment expenses						
Brokerage expense						
- Current commission for sales force	-74,119	-36,047	-30,427	0	0	-140,593
- Other commission for sales force	-8,252	-2,842	-3,392	0	0	-14,486
Personnel expenses	-7,916	-5,961	-5,525	-10,376	0	-29,778
Depreciation/amortisation	-906	-343	-445	-2,569	0	-4,263
Other operating expenses	-18,264	-11,596	-12,711	-10,980	13,089	-40,462
Total segment expenses	**-109,457**	**-56,789**	**-52,500**	**-23,925**	**13,089**	**-229,582**
Earnings before interest and taxes (EBIT)	**9,860**	**7,078**	**6,216**	**-10,073**	**82**	**13,163**
Interest income	114	130	30	53	-15	312
Interest expenses	-4	-32	-23	-8	15	-52
Other financial result	0	-151	-57	-375	0	-583
Earnings before taxes (EBT)	**9,970**	**7,025**	**6,166**	**-10,403**	**82**	**12,840**
Taxes on income	-1,671	162	-1,705	99	0	-3,115
Non-controlling interests	0	0	0	-109	0	-109
Segment result	**8,299**	**7,187**	**4,461**	**-10,413**	**82**	**9,616**
Additional disclosures						
Capital expenditures for intangible and tangible assets	1,416	408	371	1,807	0	4,002
Material non-cash expenses (-) and income (+)	357	557	484	-39	0	1,359
Impairment expenses	-981	-1,593	-754	-609	96	-3,841
Reversal of impairment loss	890	428	333	57	0	1,708

Segment reporting 2017

of OVB Holding AG according to IFRS

EUR'000	Central and Eastern Europe	Germany	Southern and Western Europe	Corporate Centre	Consolidation	Consolidated
Segment income						
Income from business with third parties						
- Brokerage income	109,011	55,447	57,171	0	0	221,629
- New business commission	91,769	32,672	45,288	0	0	169,729
- Policy service commission	11,794	17,208	6,097	0	0	35,099
- Dynamic commission	1,606	4,175	3,091	0	0	8,872
- Other brokerage income	3,842	1,392	2,695	0	0	7,929
Other operating income	2,098	3,525	2,040	2,171	-154	9,680
Income from inter-segment transactions	47	1,006	5	10,706	-11,764	0
Total segment income	**111,156**	**59,978**	**59,216**	**12,877**	**-11,918**	**231,309**
Segment expenses						
Brokerage expense						
- Current commission for sales force	-69,100	-31,770	-31,929	0	0	-132,799
- Other commission for sales force	-7,865	-3,927	-3,449	0	0	-15,241
Personnel expenses	-7,300	-6,525	-4,908	-9,233	0	-27,966
Depreciation/amortisation	-783	-442	-394	-2,494	0	-4,113
Other operating expenses	-16,586	-10,639	-10,941	-8,915	11,857	-35,224
Total segment expenses	**-101,634**	**-53,303**	**-51,621**	**-20,642**	**11,857**	**-215,343**
Earnings before interest and taxes (EBIT)	**9,522**	**6,675**	**7,595**	**-7,765**	**-61**	**15,966**
Interest income	76	135	36	51	-16	282
Interest expenses	-4	-32	-44	-2	16	-66
Other financial result	0	46	48	108	0	202
Earnings before taxes (EBT)	**9,594**	**6,824**	**7,635**	**-7,608**	**-61**	**16,384**
Taxes on income	-1,866	22	-2,059	-145	0	-4,048
Non-controlling interests	0	0	0	-194	0	-194
Segment result	**7,728**	**6,846**	**5,576**	**-7,947**	**-61**	**12,142**
Additional disclosures						
Capital expenditures for intangible and tangible assets	1,123	300	635	2,192	0	4,250
Material non-cash expenses (-) and income (+)	14	905	-139	3	0	783
Impairment expenses	-457	-1,662	-581	-167	0	-2,867
Reversal of impairment loss	53	538	123	74	0	788

II. Notes to the consolidated statement of financial position

Schedule of Group non-current assets

of OVB Holding AG as of 31 December 2018 according to IFRS

in Euro'000	Software purchased from external third parties	In-house software develop-ments	Payments on account for software	Goodwill	Other intangible assets	Total
			Software			Intangible assets
Historical cost						
31/12/2017	35,981	3,959	826	10,378	3,141	54,285
Currency translation differences	0	-11	10	0	11	10
Change in consolidated Group	0	0	0	0	0	0
Additions	2,569	0	277	0	75	2,921
Disposals	301	7	0	0	0	308
Transfers	468	0	-468	0	0	0
31/12/2018	**38,717**	**3,941**	**645**	**10,378**	**3,227**	**56,908**
Accumulated depreciation/ amortisation						
31/12/2017	27,175	3,870	331	9,416	2,614	43,406
Currency translation differences	0	-11	13	0	11	13
Change in consolidated Group	0	0	0	0	0	0
Additions	2,717	0	0	0	181	2,898
Disposals	292	7	0	0	0	299
Transfers	0	0	0	0	0	0
31/12/2018	**29,600**	**3,852**	**344**	**9,416**	**2,806**	**46,018**
Accumulated impairments						
31/12/2017	0	67	0	890	166	1,123
Currency translation differences	0	0	0	0	0	0
Change in consolidated Group	0	0	0	0	0	0
Impairments	0	0	0	23	0	23
Impairment loss reversal	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
31/12/2018	**0**	**67**	**0**	**913**	**166**	**1,146**
Book value 31/12/2018	**9,117**	**22**	**301**	**49**	**255**	**9,744**
Book value 31/12/2017	**8,806**	**22**	**495**	**72**	**361**	**9,756**

						Tangible assets			Financial assets
					Operating and office equipment	Total	Securi- ties	Loans	Total
Own-use property	Machinery, equipment, furniture, vehicles, other	IT equip- ment	Leased assets under finance lease	Tenant fixtures and fittings	Payments on account of tangible assets in progress				
3,373	6,758	5,576	181	1,801	2	17,691	5,005	91	5,096
-13	14	11	0	-3	0	9	0	0	0
0	0	0	0	0	0	0	0	0	0
0	639	420	0	0	22	1,081	7,000	132	7,132
0	614	511	0	78	0	1,203	0	149	149
0	2	0	0	0	-2	0	0	0	0
3,360	**6,799**	**5,496**	**181**	**1,720**	**22**	**17,578**	**12,005**	**74**	**12,079**
2,089	5,310	4,469	109	1,601	0	13,578	0	0	0
-7	16	13	-1	-3	0	18	0	0	0
0	0	0	0	0	0	0	0	0	0
103	515	647	32	39	0	1,336	0	0	0
0	607	511	0	78	0	1,196	0	0	0
0	0	0	0	0	0	0	0	0	0
2,185	**5,234**	**4,618**	**140**	**1,559**	**0**	**13,736**	**0**	**0**	**0**
0	2	0	0	0	0	2	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	6	0	0	0	0	6	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	**8**	**0**	**0**	**0**	**0**	**8**	**0**	**0**	**0**
1,175	**1,557**	**878**	**41**	**161**	**22**	**3,834**	**12,005**	**74**	**12,079**
1,284	**1,446**	**1,107**	**72**	**200**	**2**	**4,111**	**5,005**	**91**	**5,096**

Schedule of Group non-current assets

of OVB Holding AG as of 31 December 2017 according to IFRS

in Euro'000	Software purchased from external third parties	In-house software develop-ments	Payments on account for software	Goodwill	Other intangible assets	Total
	Intangible assets					
	Software					
Historical cost						
31/12/2016	33,513	3,923	598	10,378	3,073	51,485
Currency translation differences	32	36	-14	0	-30	24
Change in consolidated Group	0	0	0	0	0	0
Additions	2,442	0	296	0	98	2,836
Disposals	6	0	54	0	0	60
Transfers	0	0	0	0	0	0
31/12/2017	**35,981**	**3,959**	**826**	**10,378**	**3,141**	**54,285**
Accumulated depreciation/ amortisation						
31/12/2016	24,624	3,836	361	9,416	2,462	40,699
Currency translation differences	29	34	-30	0	-25	8
Change in consolidated Group	0	0	0	0	0	0
Additions	2,528	0	0	0	177	2,705
Disposals	6	0	0	0	0	6
Transfers	0	0	0	0	0	0
31/12/2017	**27,175**	**3,870**	**331**	**9,416**	**2,614**	**43,406**
Accumulated impairments						
31/12/2016	0	67	0	815	166	1,048
Currency translation differences	0	0	0	0	0	0
Change in consolidated Group	0	0	0	0	0	0
Impairments	0	0	0	75	0	75
Impairment loss reversal	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
31/12/2017	**0**	**67**	**0**	**890**	**166**	**1,123**
Book value 31/12/2017	**8,806**	**22**	**495**	**72**	**361**	**9,756**
Book value 31/12/2016	**8,889**	**20**	**237**	**147**	**445**	**9,738**

Tangible assets							Financial assets		
Operating and office equipment						Total	Securi-ties	Loans	Total
Own-use property	Machinery, equipment, furniture, vehicles, other	IT equip-ment	Leased assets under finance lease	Tenant fixtures and fittings	Payments on account of tangible assets in progress				
3,271	6,846	5,253	184	1,771	76	17,401	5,005	218	5,223
108	-31	-29	0	4	4	56	0	3	3
0	0	0	0	0	0	0	0	0	0
4	822	500	9	26	53	1,414	0	246	246
10	831	201	12	0	126	1,180	0	376	376
0	-48	53	0	0	-5	0	0	0	0
3,373	**6,758**	**5,576**	**181**	**1,801**	**2**	**17,691**	**5,005**	**91**	**5,096**
1,942	5,604	4,085	70	1,533	0	13,234	0	0	0
49	-31	-30	-1	4	0	-9	0	0	0
0	0	0	0	0	0	0	0	0	0
108	541	584	40	64	0	1,337	0	0	0
10	776	198	0	0	0	984	0	0	0
0	-28	28	0	0	0	0	0	0	0
2,089	**5,310**	**4,469**	**109**	**1,601**	**0**	**13,578**	**0**	**0**	**0**
0	1	0	0	0	0	1	0	0	0
0	1	0	0	0	0	1	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	**2**	**0**	**0**	**0**	**0**	**2**	**0**	**0**	**0**
1,284	**1,446**	**1,107**	**72**	**200**	**2**	**4,111**	**5,005**	**91**	**5,096**
1,329	**1,241**	**1,168**	**114**	**238**	**76**	**4,166**	**5,005**	**218**	**5,223**

ASSETS

A Non-current assets

2018: EUR'000	**30,010**
2017: EUR'000	23,414

1 Intangible assets

2018: EUR'000	**9,744**
2017: EUR'000	9,756

EUR'000	31/12/2018	31/12/2017
Software		
Software purchased from third parties	9,117	8,806
In-house software developments	22	22
Payments on account for software	301	495
Goodwill	49	72
Other intangible assets	255	361
	9,744	**9,756**

Purchased software essentially relates to a group-wide uniform administration and management program as well as a software solution for sales support. The carrying amount of the administration and management program called myOVB is EUR 4,768 thousand as of 31 December 2018 (31 December 2017: EUR 5,675 thousand). The carrying amount of the sales-support software comes to EUR 2,178 thousand as of 31 December 2018 (31 December 2017: EUR 1,739 thousand).

Goodwill is subject to impairment tests in accordance with IAS 36. The risk-free discount rate applied to goodwill for the determination of its value in use is 1.15 per cent (31 December 2017: 1.32 per cent) at a detailed planning horizon of five years.

Changes in intangible assets during the financial year are presented in the asset schedule.

Goodwill accounted for at EUR 49 thousand in the Germany segment faces the expected future receipt of payments that substantiates the carrying amount as of 31 December 2018. Impairment in the amount of EUR 23 thousand compared to the previous year is accounted for by lower expected receipt of payments.

2 Tangible assets

2018: EUR'000	**3,834**
2017: EUR'000	4,111

EUR'000	31/12/2018	31/12/2017
Land, land rights and buildings		
- Own-use property	1,175	1,284
Other equipment, office and operating equipment		
- Machinery, equipment, furniture, vehicles, others	1,557	1,446
- IT equipment	878	1,107
- Leased assets under finance lease	41	72
- Tenant fixtures and fittings	161	200
- Payments on account for tangible assets under construction	22	2
	3,834	**4,111**

A land charge is entered for one property under the Company's own use in the amount of EUR 716 thousand (31 December 2017: EUR 716 thousand) as the bank's collateral. The land charge is not linked to any underlying values.

Depreciation of EUR 103 thousand (31 December 2017: EUR 108 thousand) was recognized for own-use property.

Please refer to the asset schedule for further details on the development of non-current assets.

Finance leases

The carrying amount of the leased assets allocated to the Group pursuant to IAS 17 is EUR 40 thousand as of 31 December 2018 (31 December 2017: EUR 72 thousand). The total cash value of minimum lease payments due within one year is EUR 18 thousand (31 December 2017: EUR 15 thousand) and the amount due in between one and five years is EUR 33 thousand (31 December 2017: EUR 53 thousand).

There were no future minimum lease payments under non-cancellable finance leases payable for more than five years.

Finance leases relate to vehicles. Once the leases have expired, there is an option to purchase the assets; other options are not provided for.

3 Financial assets	2018: EUR'000	12,079
	2017: EUR'000	5,096

Financial assets relate to loans to office staff and sales agents granted at market interest rates and with terms to maturity of more than one year as well as a bonded loan over EUR 12,000 thousand with a book value of EUR 12,005 thousand as of 31 December 2018.

Subsequent measurement of the bonded loan is based on amortized cost in application of the effective interest method.

4 Deferred tax assets	2018: EUR'000	4,353
	2017: EUR'000	4,451

Deferred tax assets can be broken down by reported item as follows:

EUR'000	31/12/2018	31/12/2017
Goodwill	0	0
Tangible assets and other intangible assets	9	25
Financial assets	1	1
Financial instruments	670	444
Other assets	30	55
Provisions	4,288	2,456
Liabilities	1,821	1,643
Tax loss carry-forward	159	175
	6,977	**4,799**
Net of deferred tax liabilities	-2,624	-348
	4,353	**4,451**

Deferred taxes are recognized for so far unused loss carry-forward to the extent that it is probable according to current planning that taxable income will be available within the budget period of five years against which unused tax loss can be offset; taxable income is assumed after the end of the planning period.

As of 31 December 2018 deferred income tax liabilities have been offset against equity outside profit or loss in the amount of EUR 54 thousand (31 December 2017: EUR 15 thousand).

Altogether, no deferred taxes were recognized for loss carry-forward in the amount of EUR 9,635 thousand (31 December 2017: EUR 22,251 thousand) for group companies. This would have corresponded to deferred tax assets of EUR 2,321 thousand (31 December 2017: EUR 6,309 thousand).

Of this loss carry-forward, the amount of EUR 490 thousand (31 December 2017: EUR 1,612 thousand) can be utilized over a period of between five and 15 years. The amount of EUR 9,145 thousand (31 December 2017: EUR 20,639 thousand) can be carried forward indefinitely.

B Current assets

	2018: EUR'000	156,317
	2017: EUR'000	149,606

5 Trade receivables

	2018: EUR'000	32,764
	2017: EUR'000	29,243

EUR'000	31/12/2018	31/12/2017
Trade receivables		
1. Receivables from insurance brokerage	30,452	27,096
2. Receivables from other brokerage	845	993
3. Other trade receivables	1,467	1,154
	32,764	**29,243**

The development of valuation allowances for trade receivables is as follows:

EUR'000	2018	2017
Valuation allowances as of 1 January	123	112
Exchange rate differences	0	0
Allocation (valuation allowance expense)	0	109
Consumption	0	98
Reversals	108	0
Valuation allowances as of 31 December	**15**	**123**

Trade receivables in the amount of EUR 3,060 thousand (31 December 2017: EUR 7,028 thousand) have remaining terms to maturity of more than one year.

1. Receivables from insurance brokerage
Receivables from insurance brokerage relate primarily to claims for commission and claims from retained securities (cancellation reserve) against product providers. Commission claims do not bear interest and are generally due within 30 days. Claims from retained securities are usually interest-bearing.

2. Receivables from other brokerage
Receivables from other brokerage relate primarily to claims for commission against product providers that are not insurance companies. Those receivables do not bear interest and generally fall due within 30 days.

3. Other trade receivables
Other trade receivables include all receivables that do not relate to brokerage services.

6 Receivables and other assets

	2018: EUR'000	34,486
	2017: EUR'000	23,553

EUR'000	31/12/2018	31/12/2017
6.1 Other receivables	18,578	19,803
6.2 Other assets	2,935	3,750
6.3 Contract asset (IFRS 15)	12,973	0
	34,486	**23,553**

Receivables and other assets usually have remaining terms to maturity of less than one year. An exception to this are acquired claims for commission of former financial agents, valued altogether at EUR 458 thousand as of the reporting date (31 December 2017: EUR 1,818 thousand). Of this total, claims over EUR 77 thousand (31 December 2017: EUR 401 thousand) have terms to maturity of more than one year. With respect to mandatory disclosures pursuant to IFRS 15.113 (b), we would like to point out that the contract asset results primarily from contracts with insurance companies subject to financial supervision in the respective countries. In addition to that, in financial year 2018 a process for routine monitoring of the assets and liabilities, financial position and profit/loss of the existing product partners was implemented. No need for impairment has so far been identified in this context.

6.1 Other receivables

EUR'000	31/12/2018	31/12/2017
Other receivables		
1. Receivables from financial agents	7,236	8,649
2. Receivables from employees	107	96
3. Miscellaneous other receivables	10,883	10,708
4. Other taxes	352	350
	18,578	**19,803**

Changes in valuation allowances for other receivables are as follows:

EUR'000	2018	2017
Valuation allowances as of 1 January	20,640	19,825
Exchange rate differences	-67	215
Allocation (valuation allowance expense)	2,574	2,125
Consumption	1,827	1,062
Reversals	1,453	200
Valuation allowances as of 31 December	**19,867**	**20,903**

Allocations to valuation allowances for other receivables relate to receivables from financial agents.

1. Receivables from financial agents
Receivables from financial agents primarily relate to advance payments of commission and claims for commission refunds. They usually fall due within 30 days. Receivables from an individual former financial agent are offset against liabilities to that same financial agent if they fall due at the same time, irrespective of the legal basis on which the receivables and liabilities arose. Any resulting net receivable is recognized under other receivables. Any resulting net liability is recognized under trade payables. Provisions for cancellation risk with respect to active financial agents serve the purpose of covering potential future commission refund claims and are disclosed under other liabilities.

Individual valuation allowances are made with regard to all available information concerning the credit rating of the debtor and the age structure of the receivables. A distinction is also made between active and former financial agents. Due to the large number of individual receivables due from financial advisors, lump sum valuation allowances are also made up to a certain amount based on receivables categories which are determined on the basis of an assessment of the respective debtor's value-defining factors.

2. Receivables from employees
Receivables from employees generally relate to receivables arising as a result of short-term loans.

3. Miscellaneous other receivables
Miscellaneous other receivables include all receivables from third parties as of the reporting date that are not attributed to any other item in the statement of financial position. The item also comprises the portion of acquired commission claims of former financial advisors allotted to brokerage agreements concluded as of the acquisition date.

4. Other taxes
Other taxes only include other actual tax assets e.g. for overpaid income tax, value-added tax and property tax that can be determined exactly or for which there is a tax assessment notice.

6.2 Other assets

	2018: EUR'000	2,935
	2017: EUR'000	3,750

EUR'000	31/12/2018	31/12/2017
Other assets		
1. Accrued investment income	7	2
2. Other accrued income	1,045	844
3. Advertising and office supplies	477	476
4. Payments on account	783	555
5. Acquired future commission claims	458	1,818
6. Miscellaneous other assets	165	55
	2,935	**3,750**

1. Accrued investment income
Accrued investment income includes accrued income from financial assets and short-term capital investments.

2. Other accrued income
Other accrued income relates primarily to prepaid office rent for the following year and insurance premiums.

3. Advertising materials and office supplies
This item includes advertising materials for the sales force and other materials used in sales and administration.

4. Payments on account
This item primarily relates to short-term advance payments for incentive events.

5. Acquired future commission claims
This item regards the portion of commission claims of financial agents acquired against payment and relating to the probable brokerage of contracts after the acquisition date.

6. Miscellaneous other assets
Miscellaneous other assets comprise all assets that exist as of the reporting date and are not attributed to any other item in the statement of financial position.

6.3 Contract asset (IFRS 15)

The development of the contract asset resulting from premature realization of subsequent commission is as follows in the year under review:

EUR'000	01/01/2018	Allocation	Exchange rate differences	Reversal	31/12/2018
Contract asset	10,057	2,948	-32	0	12,973

7 Income tax assets

2018: EUR'000	**1,079**
2017: EUR'000	1,876

Income tax receivables primarily relate to income tax payments on account. Such receivables exist in particular for OVB Allfinanz a.s., Prague, OVB Holding AG, Cologne and OVB-Consulenza Patrimoniale SRL, Verona.

8 Securities and other capital investments

2018: EUR'000	**41,475**
2017: EUR'000	39,413

EUR'000	2018			2017		
	Securities	Other capital investments	Total	Securities	Other capital investments	Total
Historical cost	**28,237**	**14,180**	**42,417**	**26,074**	**13,510**	**35,584**
Revaluation reserve	1		1	74		74
Impairment	-943		-943	-245		-245
Market value	**27,295**	**14,180**	**41,475**	**25,903**	**13,510**	**39,413**
Book value	**27,295**	**14,180**	**41,475**	**25,903**	**13,510**	**39,413**

Securities include interests in investment funds in the following amounts:

	2018		
Investment	Pension fund	Balanced fund	Equity fund
Number of investment funds	5	6	1
Fund assets as of the reporting date	Euro 0.1 - 7.6 billion	Euro 32.4 - 185.3 million	Euro 179.0 million
Book values as of the reporting date	Euro 12.3 million	Euro 8.9 million	Euro 2.6 million
Interest in the funds	0.1 - 0.8 %	0.7 - 9.0 %	1.4 %

	2017		
Investment	Pension fund	Balanced fund	Equity fund
Number of investment funds	5	5	1
Fund assets as of the reporting date	Euro 0.1 - 3.8 billion	Euro 31.9 - 207.6 million	Euro 198.0 million
Book values as of the reporting date	Euro 12.0 million	Euro 8.2 million	Euro 2.7 million
Interest in the funds	0.2 - 1.2 %	0.7 - 3.0 %	1.4 %

The maximum risk exposure corresponds to the book values.

In the past financial year, write-downs on securities were recognized in profit or loss in the amount of EUR 782 thousand (31 December 2017: EUR 0 thousand). The write-downs are included in the financial result in "Investment expenses" under item 31. The reversal of impairment loss on securities is disclosed in the financial result, item 31, under "Reversal of impairment loss on capital investments".

Revaluation reserve decreased by the amount of EUR 2 thousand in the past financial year (31 December 2017: EUR 171 thousand). Net losses were realized in the amount of EUR 83 thousand in the financial year (31 December 2017: net gains of EUR 24 thousand).

Other capital investments particularly include fixed-term deposits and cash equivalents with a maturity of more than three months as well as short-term loans. Interest-bearing investments are recognized at cost if market interest rates apply or otherwise at their cash value.

The item "Securities and other capital investments" includes securities with a book value of EUR 7,002 thousand (31 December 2017: EUR 5,978 thousand) allocated to level 1 according to IFRS 13, measured at market or stock market price, and securities with a book value of EUR 20,293 thousand (31 December 2017: EUR 19,924 thousand) allocated to level 2 according to IFRS 13, measured at the net asset value determined by the respective investment trust.

There were no reclassifications of financial instruments between fair-value hierarchy levels in the reporting period.

9 Cash and cash equivalents

2018: EUR'000	**46,513**
2017: EUR'000	55,521

EUR'000	31/12/2018	31/12/2017
Cash	28	41
Cash equivalents	46,485	55,480
	46,513	**55,521**

Cash means cash-in-hand of the group companies as of the reporting date in domestic and foreign currencies. Cash equivalents are assets that can be immediately converted to cash. They include bank balances in domestic and foreign currencies with maturities of three months or less, cheques and stamps. Cash and cash equivalents are measured at face value. Foreign currencies are translated into euros at the closing rate.

EQUITY AND LIABILITIES

A Equity	**2018: EUR'000**	**90,444**
	2017: EUR'000	89,233

The development of equity is shown in the consolidated statement of changes in equity.

10 Subscribed capital	**2018: EUR'000**	**14,251**
	2017: EUR'000	14,251

The subscribed capital (share capital) of OVB Holding AG amounts to EUR 14,251 thousand as of 31 December 2018, is fully paid up and consists of 14,251,314 no-par value bearer shares (31 December 2017: 14,251,314 shares).

11 Capital reserve	**2018: EUR'000**	**39,342**
	2017: EUR'000	39,342

The capital reserve essentially comprises premiums from the issue of shares in circulation.

12 Treasury shares

OVB Holding AG did not hold any treasury shares in the year under review. There were no transactions in the Company's ordinary shares or options on its ordinary shares in the period between the reporting date and the date of preparing the consolidated financial statements.

The Annual General Meeting of OVB Holding AG of 3 June 2015 authorized the Executive Board to acquire, subject to the Supervisory Board's approval, up to a total of 300,000 of the Company's bearer shares in one or several transactions up to and including 10 June 2020. Shares acquired on the basis of this authorization may also be retired. So far no use has been made of this option.

13 Revenue reserve	**2018: EUR'000**	**13,671**
	2017: EUR'000	13,671

14 Other reserves	**2018: EUR'000**	**109**
	2017: EUR'000	202

Other reserves essentially comprise currency translation reserve, pension provision reserve and available-for-sale reserve / revaluation reserve.

Unrealized gains and losses from financial instruments are recognized in the revaluation reserve after accounting for deferred tax.

Changes in revaluation reserve, currency translation reserve and pension provision reserve over the reporting period are disclosed in the consolidated statement of changes in equity.

15 Non-controlling interests	**2018: EUR'000**	**423**
	2017: EUR'000	569

Other shareholders hold non-controlling interests in Nord-Soft EDV-Unternehmensberatung GmbH in the amount of EUR 411 thousand (31 December 2017: EUR 557 thousand) and in Nord-Soft Datenservice GmbH in the amount of EUR 12 thousand (31 December 2017: EUR 12 thousand).

Changes from the previous year represent the proportionate share in the net income of the Nord-Soft entities for the year under review less a paid dividend.

16 Retained earnings	**2018: EUR'000**	**22,648**
	2017: EUR'000	21,198

Distributable profits and dividends

Distributable amounts relate to the retained earnings of OVB Holding AG determined in accordance with German commercial and stock corporation law.

At the Annual General Meeting of 5 June 2018, shareholders adopted the resolution on the appropriation of the retained earnings of OVB Holding AG for financial year 2017.

On 8 June 2018, a dividend of EUR 10,688 thousand was distributed to the shareholders, equivalent to EUR 0.75 per no-par share (previous year: EUR 0.75 per no-par share).

In accordance with Section 170 AktG (Stock Corporation Act), the Executive Board of OVB Holding AG proposes the following appropriation of the retained earnings as reported in the financial statements of OVB Holding AG as of 31 December 2018:

EUR	2018	2017
Distribution to shareholders	10,688,485.50	10,688,485.50
Profit carry-forward	8,356,645.76	8,942,614.10
Retained earnings	**19,045,131.26**	**19,631,099.60**

The dividend payout is thus equivalent to EUR 0.75 per share (previous year: EUR 0.75 per share).

The number of shares entitled to dividend and thus the amount distributable to shareholders may change prior to the Annual General Meeting due to the Executive Board's option to purchase treasury shares.

B Non-current liabilities	**2018: EUR'000**	**1,266**
	2017: EUR'000	1,013

Non-current liabilities are reclassified into current liabilities if the remaining term to maturity is less than twelve months.

The following liabilities schedule shows non-current liabilities broken down by remaining term to maturity:

Maturity of liabilities as of 31 December 2018

EUR'000 Type of liability	Total amount	1 year to less than 3 years	3 years to less than 5 years	5 and more years	No maturity	Secured amount
Other liabilities	52	52	0	0	0	0

Maturity of liabilities as of 31 December 2017

EUR'000 Type of liability	Total amount	1 year to less than 3 years	3 years to less than 5 years	5 and more years	No maturity	Secured amount
Other liabilities	75	75	0	0	0	0

17 Provisions

	2018: EUR'000	**1,007**
	2017: EUR'000	915

EUR'000	31/12/2018	31/12/2017
Provisions for pensions	443	444
Long-term provisions for employee benefits	547	468
Other long-term provisions	17	3
	1,007	**915**

EUR'000	01/01/2018	Exchange rate differences	Allocation	Consumption	Reversal	31/12/2018
Provisions for pensions	444	17	0	18	0	443
Long-term provisions for employee benefits	468	0	111	32	0	547
Other long-term provisions	3	0	17	3	0	17
	915	**17**	**128**	**53**	**0**	**1,007**

The interest effects included in allocations are immaterial.

Provisions for pensions
OVB Vermögensberatung (Schweiz) AG, Steinhausen is under statutory obligation to pay pension benefits to six commercial employees as well as to eleven financial agents. The following pension benefits are granted to the beneficiaries:

- Retirement benefits
- Pensions for surviving dependents
- Disability pension

Provisions for pensions can be broken down as follows:

Pension provisions as of 31/12 EUR'000	2018	2017
Present value of defined benefit obligations as of 1/1	**1,491**	**1,465**
Exchange rate changes	57	-122
Service cost	93	83
Past service cost	0	-1
Interest expense/income	9	8
Gains (-) and losses (+) from revaluation:		
- Actuarial gains and losses from changes in demographic assumptions	0	0
- Actuarial gains and losses from changes in financial assumptions	-39	1
- Actuarial gains and losses from experience-based adjustments	17	103
Transfer	0	0
Contributions:		
- Employer	0	0
- Plan participants	40	38
Pension plan payments:		
- Current payments	-169	-84
- Compensation	0	0
Present value of defined benefit obligations as of 31/12	**1,500**	**1,491**
Plan assets as of 1/1	**1,047**	**1,078**
Exchange rate changes	40	-90
Contributions:		
- Employer	85	87
- Plan participants	40	38
Expected investment income	0	0
Pension plan payments:		
- Current payments	-169	-84
- Compensation	0	0
Interest expense/income	7	6
Gains (-) and losses (+) from revaluation:		
- Income from plan assets not including interest income	8	12
Plan assets as of 31/12	**1,057**	**1,047**
Pension provisions as of 31/12	**443**	**444**

The asset ceiling does not have any effect.

The actuarial expert report was prepared by the firm Helvetia Consulta Gesellschaft für Vorsorgeberatung AG, Basel (Switzerland). This report is based on the following actuarial assumptions:

	2018	2017
Discount rate	0.80 %	0.60 %
Expected future salary increase	1.00 %	1.00 %
Expected future pension adjustment	0.00 %	0.00 %

The expert report's underlying assumptions with respect to mortality are based in Switzerland on "BVG 2015".

Current service cost is included in personnel expense. The interest expense of the defined benefit obligations is included in finance expense.

Plan assets of OVB Switzerland are divided into the following categories:

	2018	2017
Liquid assets and fixed deposits	0.6 %	-0.6 %
Land charges	5.1 %	5.3 %
Investment funds	0.0 %	5.4 %
Fixed-interest securities	26.6 %	28.2 %
Shares	33.3 %	36.0 %
Real property	15.4 %	13.2 %
Alternative investments	19.0 %	12.5 %

Market prices in an active market exist for 99.4 per cent (31 December 2017: 100.0 per cent) of the plan assets.

EUR'000		Amount of obligation	
	Changes in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.25 %-points	1,436	1,566
Expected future salary increase	0.25 %-points	1,511	1,488
Expected future pension adjustment	0.25 %-points	1,537	1,465

The sensitivity analysis presented above is based on changes in one parameter as the other parameters remain constant. This isolated constellation would be extremely rare in reality as input parameters are often connected. Sensitivity assessment applies the projected unit credit method that is also applied for determining the defined benefit obligation.

The funding of the acquired benefit claims at OVB Switzerland is provided by employer and employees at 50 per cent each with respect to the basic plan. The employer pays the contributions to the staff plan in full. Basic provision is obligatory for all employees with statutory pension insurance while participation in the staff plan is optional.

Expected contributions to the pension plans for benefits after termination of employment altogether amount to EUR 89 thousand for the financial year ended 31 December 2019.

The weighted average term of the defined benefit obligations is 17.4 years (31 December 2017: 17.3 years).

Long-term provisions for employee benefits
Long-term provisions for employee benefits primarily relate to provisions set aside for anniversary bonus payments.

18 Other liabilities

2018: EUR'000	**52**
2017: EUR'000	75

Other liabilities relate to capitalized lease liabilities and equate to the present value of future lease payments.

19 Deferred tax liabilities

2018: EUR'000	**207**
2017: EUR'000	23

Deferred tax liabilities concern the following items in the statement of financial position:

EUR'000	31/12/2018	31/12/2017
Goodwill	16	23
Tangible and intangible assets	9	15
Financial instruments	2,675	221
Provisions	50	46
Liabilities	81	66
	2,831	**371**
Net of deferred tax assets	-2,624	-348
	207	**23**

Deferred tax liabilities have no determinable terms to maturity for the most part.

C Current liabilities

2018: EUR'000	**94,617**
2017: EUR'000	82,774

Liabilities with a remaining term to maturity of less than twelve months are classified as current liabilities.

20 Provisions for taxes

2018: EUR'000	**50**
2017: EUR'000	449

The development of provisions for taxes is altogether as follows:

EUR'000	01/01/2018	Exchange rate differences	Allocation	Consump-tion	Reversal	31/12/2018
Provisions for taxes	449	-2	18	415	0	50

21 Other provisions

	2018: EUR'000	40,881
	2017: EUR'000	30,907

EUR'000	31/12/2018	31/12/2017
1. Cancellation risk	15,866	16,055
2. Unbilled liabilities	11,795	10,417
3. Litigation	955	1,205
4. Provisions from subsequent commission (IFRS 15)	8,961	0
	37,577	**27,677**
5. Others		
- Obligations to employees	1,085	1,133
- Costs for financial statements/Audit cost	669	670
- Other obligations	1,550	1,427
	3,304	**3,230**
	40,881	**30,907**

EUR'000	01/01/2018	Allocation	Exchange rate differences	Consump-tion	Reversal	31/12/2018
1. Cancellation risk	16,055	900	-45	1,044	0	15,866
2. Unbilled liabilities	10,417	8,051	-47	6,235	391	11,795
3. Litigation	1,205	336	-2	40	544	955
4. Provisions from subsequent commission (IFRS 15)	6,932	2,052	-23	0	0	8,961
5. Others	3,230	2,049	2	1,786	191	3,304
	37,839	**13,388**	**-115**	**9,105**	**1,126**	**40,881**

Allocations include expenses from the accumulation of interest on provisions in the amount of EUR 8 thousand (31 December 2017: EUR 9 thousand). Provisions for cancellation risk are generally recognized as current provisions due to uncertainty in respect of the time and extent of their utilization. Assuming that the clients' cancellation behaviour equals that of the recent past, the resulting non-current portion would amount to approx. EUR 6,643 thousand (31 December 2017: EUR 8,434 thousand).

Provisions for litigation essentially concerns legal disputes involving clients and former financial agents. The time aspect and the exact amounts of the outflow of economic benefits of such disputes are uncertain.

Provisions from subsequent commission are made for commission not yet handed on to the sales force.

22 Income tax liabilities

	2018: EUR'000	739
	2017: EUR'000	1,077

Income tax liabilities primarily originate from taxation of earnings generated over the previous years.

23 Trade payables

2018: EUR'000	**9,365**
2017: EUR'000	7,363

This item includes commission billed by financial agents unless categorized as retained security as well as bonuses accrued as of the reporting date but not yet paid. Such liabilities are measured at payable amounts.

Trade payables also include liabilities based on recurrent and period-based payments such as insurance premiums, telephone charges, electricity charges and rent.

Maturity of liabilities as of 31/12/2018:

EUR'000 Type of liability	Total amount	Overdue	Due daily	Less than 3 months	3 - 6 months	6 - 12 months	No maturity
Trade payables	9,365	742	1,230	3,617	0	0	3,776

Maturity of liabilities as of 31/12/2017:

EUR'000 Type of liability	Total amount	Overdue	Due daily	Less than 3 months	3 - 6 months	6 - 12 months	No maturity
Trade payables	7,363	236	775	2,509	0	4	3,839

24 Other liabilities

2018: EUR'000	**43,582**
2017: EUR'000	42,978

Maturity of liabilities as of 31/12/2018:

EUR'000 Type of liability	Total amount	Overdue	Due daily	Less than 3 months	3 - 6 months	6 - 12 months	No maturity
1. Retained security	38,784	975	475	2,339	37	298	34,660
2. Other tax liabilities	1,089	0	335	668	0	2	84
3. Liabilities to employees	2,760	0	688	1,540	9	277	246
4.Liabilities to product partners	207	0	133	18	41	0	15
5. Liabilities to banks	0	0	0	0	0	0	0
6. Other liabilities to sales agents	262	0	131	0	0	0	131
7. Miscellaneous liabilities	480	0	175	249	3	3	50
	43,582	**975**	**1,937**	**4,814**	**90**	**580**	**35,186**

Maturity of liabilities as of 31/12/2017:

EUR'000 Type of liability	Total amount	Overdue	Due daily	Less than 3 months	3 - 6 months	6 - 12 months	No maturity
1. Retained security	38,570	299	436	2,299	28	141	35,367
2. Other tax liabilities	992	0	313	606	1	0	72
3. Liabilities to employees	2,840	0	392	1,665	286	301	196
4.Liabilities to product partners	222	0	92	2	4	0	124
5. Liabilities to banks	0	0	0	0	0	0	0
6. Other liabilities to sales agents	0	0	0	0	0	0	0
7. Miscellaneous liabilities	354	0	148	149	4	0	53
	42,978	**299**	**1,381**	**4,721**	**323**	**442**	**35,812**

There are no liabilities with terms to maturity of more than twelve months.

1. Retained security
Retained security includes provisions for cancellation risk set aside on account of financial advisors. This security is retained in order to cover anticipated commission refund claims.

2. Other tax liabilities
Tax liabilities only include other actual tax liabilities that can be exactly determined or that have already been assessed.

3. Liabilities to employees
Payments to employees due in the short term for work performed, such as holiday pay, bonuses or premiums as well as benefits paid to employees due to the termination of employment are recognized at expected settlement amounts.

4. Liabilities to product partners
Liabilities to product partners that are not affiliates generally result from the reversal of commission entries and are paid by OVB as they arise over the course of business. These liabilities are measured at face value.

5. Liabilities to banks
Current liabilities to banks are those with a maturity of twelve months or less from the reporting date, measured at face value.

6. Other liabilities to sales agents
Current liabilities to the sales force that do not result from brokerage services were recognized as "Other liabilities to sales agents".

7. Miscellaneous liabilities
Miscellaneous liabilities comprise all liabilities that are not attributable to any of the above sub-positions. The item essentially includes liabilities from social security contributions as well as deferred income.

III. Notes to the consolidated income statement

25 Brokerage income

2018: EUR'000	**231,337**
2017: EUR'000	221,629

EUR'000	2018	2017
1. New business commission	177,394	169,730
2. Policy service commission	37,208	35,099
3. Dynamic commission	8,802	8,872
4. Other brokerage income	7,933	7,928
	231,337	**221,629**

All income from product partners is recognized as brokerage income. Apart from commission, this also includes bonuses and other sales-related benefits paid by product partners.

1. New business commission
New business commission results from the successful brokerage of different kinds of financial products.

2. Policy service commission
Policy service commission results from the continuous servicing of the policy holder's contracts and is collected after performances are rendered.

3. Dynamic commission
Dynamic commission results from contractually agreed dynamic premium adjustments of insurance policies over the contract term.

4. Other brokerage income
Other brokerage income comprises brokerage income resulting from bonuses and other sales-related benefits paid by product partners as well as changes in provisions for cancellation risk.

Brokerage income includes income from subsequent commission in the amount of EUR 2,948 thousand resulting from premature realization of new business commission either partly discounted or paid on a pro-rata basis.

26 Other operating income

2018: EUR'000	**11,408**
2017: EUR'000	9,680

EUR'000	2018	2017
Refunds from financial agents	3,354	3,162
Income from reversal of provisions	1,126	1,388
Own work capitalised	192	228
Income from cancelled liabilities	1,262	1,086
Rental income from sub-leases	34	29
Income from the disposal of intangible and tangible assets	67	120
Reversals of impairment loss	1,741	598
thereof income from written-off receivables	121	125
Income from currency translation	81	354
Partners' contributions to costs	1,091	877
Miscellaneous	2,460	1,838
	11,408	**9,680**

Refunds from financial agents generally arise in connection to participation in seminars, use of materials and the lease of IT equipment.

Income from reversal of provisions in the year under review essentially results from the reversal of provisions for litigation, provisions for performance bonus payments and the reversal of outstanding accounts for not accepted performances.

Own work capitalized relates to the administration and management software (cf. the asset schedule).

Reversals of impairment loss primarily concern receivables from financial advisors.

Partners' contributions to costs relate to contributions made by product partners toward the cost of materials, personnel, representation, training and events as well as insurance payouts.

Miscellaneous income essentially includes sales generated by the service companies with third parties.

27 Brokerage expenses

2018: EUR'000	**-155,079**
2017: EUR'000	-148,040

EUR'000	2018	2017
Current commission	-140,593	-132,799
Other commission	-14,486	-15,241
	-155,079	**-148,040**

This item includes all payments to financial advisors. Current commission comprises all directly performance-based commission, i.e. new business commission, policy service commission and dynamic commission. All other commission linked to a specific purpose, e.g. other performance-based remuneration, is reported under "other commission".

28 Personnel expense

2018: EUR'000	**-29,778**
2017: EUR'000	-27,966

EUR'000	2018	2017
Wages and salaries	-24,632	-23,276
Social security	-4,834	-4,440
Expenses for retirement provision	-312	-250
	-29,778	**-27,966**

29 Depreciation and amortization

2018: EUR'000	**-4,263**
2017: EUR'000	-4,113

EUR'000	2018	2017
Amortisation/Impairment of intangible assets	-2,921	-2,779
Depreciation/Impairment of tangible assets	-1,342	-1,334
	-4,263	**-4,113**

Depreciation and amortization in financial year 2018 are disclosed in the asset schedule.

30 Other operating expenses

2018: EUR'000 **-40,462**
2017: EUR'000 -35,224

EUR'000	2018	2017
Administrative expenses		
Legal, financial statement and consulting expenses	-5,504	-3,476
Facility expenses	-3,033	-2,900
Communication costs	-1,013	-1,021
IT expenses	-5,183	-4,863
Vehicle expenses	-633	-619
Rent for furniture and equipment	-106	-135
Other administrative expenses	-4,573	-4,057
	-20,045	**-17,071**
Sales and marketing costs		
Seminars, competitions, events	-9,116	-8,953
Advertising cost, public relations	-2,300	-2,153
Write-down on/Valuation allowances for receivables	-2,966	-2,391
thereof disposal of receivables	-390	-161
Other sales and marketing costs	-2,242	-1,844
	-16,624	**-15,341**
Miscellaneous operating expenses		
Foreign currency loss	-85	-90
Supervisory Board remuneration	-161	-102
Losses from disposal of investments	-5	-10
Other miscellaneous operating expenses	-99	-69
	-350	**-271**
Non-income-based taxes		
Value-added tax on purchased goods/services	-3,143	-2,374
Other non-income-based tax	-300	-167
	-3,443	**-2,541**
	-40,462	**-35,224**

Other administrative expenses essentially relate to travel expenses, expenses for insurance, fees and contributions, money transfer costs and office supplies.

Other sales and marketing costs particularly relate to cost of materials, entertainment expenses and expenses for sales support.

Other miscellaneous expenses include expenses for the preparation of financial reports and the Annual General Meeting as well as all expenses that are not attributable to any of the above positions.

Other non-income-based tax essentially relates to taxes on wages, vehicle tax and property tax.

Operating-Leasing

Future minimum lease payments under non-cancellable operating leases essentially comprise future lease payments of group companies for office space of the respective headquarters and can be broken down as follows:

EUR'000	31/12/2018	31/12/2017
Twelve months or less	2,128	2,296
Between one year and five years	3,033	4,186
More than five years	0	194
	5,161	**6,676**

Payments under leases recognized in profit or loss can be broken down as follows:

EUR'000	2018	2017
Minimum amount of lease payments	2,489	2,320
Contingent rent	0	2
	2,489	**2,322**
Sub-lease payments	29	-27
	2,518	**2,295**

Payments were made under operating leases for the following commodities: vehicles, telephone equipment, photocopiers and other operating and office equipment as well as office space. The terms of these leases range between three and 36 months. Contingent rent essentially includes payments for contract provisions that consider actual use of photocopiers and extra mileage for vehicles.

31 Financial result

2018: EUR'000 -323
2017: EUR'000 418

EUR'000	2018	2017
Finance income		
Bank interest	134	96
Income from securities	199	161
Reversal of impairment loss on capital investments	0	41
Income from accrued interest	75	57
Interest income from loans	31	25
Other interest income and similar income	72	104
	511	**484**
Finance expense		
Interest expense and similar expenses	-52	-66
Expenses for capital investments	-782	0
	-834	**-66**
Financial result	**-323**	**418**

Interest income and interest expense are recognized on an accrual basis.

Income from securities primarily relates to interest credits and dividends as well as distributions from investment funds.

32 Taxes on income

2018: EUR'000	**-3.115**
2017: EUR'000	-4.048

EUR'000	2018	2017
Current income tax	-3,484	-4,122
Deferred income tax	369	74
	-3,115	**-4,048**

Tax expense includes foreign current taxes in the amount of EUR 3,376 thousand (31 December 2017: EUR 3,996 thousand) and foreign deferred tax assets of EUR 2 thousand (31 December 2017: EUR 68 thousand).

Current and deferred taxes are determined on the basis of domestic tax rates applicable in the respective country. Deferred taxes relating to domestic companies were calculated on the basis of a company tax rate of 15.0 per cent (31 December 2017: 15.0 per cent), the solidarity surcharge of 5.5 per cent (31 December 2017: 5.5 per cent) and an average trade tax rate of 16.625 per cent (31 December 2017: 16.625 per cent).

In addition to the amount recognized in the consolidated income statement, deferred taxes of EUR 49 thousand (31 December 2017: EUR 30 thousand) relating to items recognized in profit or loss were settled directly in equity.

The effective income tax rate applied to the result from ordinary business activities before income taxes comes to 24.26 per cent (31 December 2017: 24.71 per cent). Included is an income tax decrease in France by 5 per cent points compared to the previous year.

The following reconciliation statement shows the connection between the result from ordinary business activities and taxes on income in the financial year. The anticipated tax expense is calculated on the basis of the combined German income tax rate of currently 32.45 per cent.

Reconciliation statement

EUR'000	2018	2017
Earnings before income taxes according to IFRS	12,840	16,384
Consolidated income tax rate	32.45 %	32.45 %
Theoretical income tax expense in the financial year	**-4,166**	**-5,316**
Taxes based on non-deductible expenses (-) / tax-free income (+)	-812	-543
Effects of other tax rates applicable to domestic and foreign operating subsidiaries	2,132	2,199
Prior-period income tax	52	-198
Changes in tax effects from temporary differences and tax loss for which no deferred tax assets were recognised (-) / Capitalisation of deferred tax in financial year on loss carry-forward from previous year for which no deferred tax was recognised in previous year (+)	-399	-35
Others	78	-152
Taxes on income	**-3,115**	**-4,048**

33 Consolidated net income	**2018: EUR'000**	**9,725**
	2017: EUR'000	12,336

34 Consolidated net income attributable to non-controlling interests	**2018: EUR'000**	**-109**
	2017: EUR'000	-194

This item relates to non-controlling interests in Nord-Soft EDV Unternehmensberatung GmbH in the amount of EUR -109 thousand (31 December 2017: EUR -194 thousand).

35 Consolidated net income after non-controlling interests	**2018: EUR'000**	**9,616**
	2017: EUR'000	12,142

36 Earnings per share (basic/diluted)

Basic/diluted earnings per share are calculated on the basis of the following data:

EUR'000	2018	2017
Consolidated net income after non-controlling interests		
Basis for basic/diluted earnings per share (consolidated net income for the period attributable to owners of the parent)	9,616	12,142
Number of shares		
Weighted average number of shares for determination of basic/diluted earnings per share	14,251,314	14,251,314
Basic earnings per share in EUR	0.67	0.85

Diluted earnings equal basic earnings per share as no dilutive effects materialized in the year under review.

IV. Other information

1. Adoption of IFRS 15

Adjustment amounts resulting from first-time adoption of IFRS 15. C3 (b) relate to the following individual financial statement items based on the premature realization of subsequent commission. Positive amounts indicate an increase compared to the amount that would have been recognized without adopting IFRS 15 as of 31 December 2018 while negative amounts indicate a decrease in that respect.

EUR'000	31/12/2017	Adjustment due to IFRS 15	01/01/2018
Receivables and other assets	23,553	10,057	33,610
Retained earnings	21,198	2,506	23,704
Other provisions	30,907	6,931	37,838
Deferred tax liabilities	23	619	642

Within the reporting period, the following adjustment resulted from the adoption of IFRS 15:

1.1 Consolidated statement of financial position

Financial statement items EUR'000	as of 01/01/2018*	Change	as of 31/12/2018
Receivables and other assets	10,057	2,916	12,973
Retained earnings	2,506	742	3,248
Other provisions	6,931	2,030	8,961
Deferred tax liabilities	619	145	764

*Adjusted compared to interim reporting due to new evaluation options. Retained earnings is reduced by EUR 333 thousand compared to the initially announced amount based on first-time adoption.

1.2 Consolidated income statement

Financial statement items EUR'000	01/01/ – 31/12/2018
Brokerage income	2,948
Total income	2,948
Brokerage expenses	2,052
Earnings before interest and taxes (EBIT)	896
Consolidated income before income tax	896
Taxes on income	-154
Consolidated net income	742
Consolidated net income after non-controlling interests	742

1.3 Consolidated statement of comprehensive income

Financial statement items EUR'000	01/01 – 31/12/2018
Consolidated net income	742
Total comprehensive income before non-controlling interests	742
Total comprehensive income	742

1.4 Consolidated statement of cash flows

Financial statement items EUR'000	01/01 – 31/12/2018
Consolidated income before income tax	896
Increase/Decrease of provisions	-2,030
Decrease/Increase of trade receivables and other assets	2,916

1.5 Segment reporting

	01/01 – 31/12/2018		
Financial statement items EUR'000	**Central and Eastern Europe**	**Germany**	**Southern and Western Europe**
Brokerage income	2,936	2	10
Total segment income	2,936	2	10
Brokerage expenses	2,044	1	7
Earnings before interest and taxes (EBIT)	891	1	4
Earnings before taxes	891	1	4
Taxes on income	-153	0	-1
Total segment income	739	0	3

2. Contingent liabilities

Guarantees and assumed liabilities

OVB Holding AG and some of its subsidiaries have given guarantees and assumed liabilities on behalf of financial agents in the ordinary course of business. The associated risks are recognized in other provisions to the extent that they give rise to obligations whose value can be reliably estimated. Guarantees and assumed liabilities to third parties total EUR 3,690 thousand as of the reporting date (31 December 2017: EUR 3,990 thousand).

Litigation risk

Some group companies are currently involved in various legal disputes arising from the ordinary course of business, primarily in connection with the settlement of accounts for brokerage services provided by financial agents.

Management holds the view that contingent liabilities arising from such legal disputes are adequately covered by provisions and that no material effects on the Group's assets and liabilities will result beyond that.

3. Average number of employees

In the year under review, the Group had a commercial staff of 505 employees on average (31 December 2017: 474), of which 51 (31 December 2017: 48) filled executive positions.

4. Executive Board and Supervisory Board

Members of the Executive Board of OVB Holding AG are:

- Mario Freis, Chairman of the Executive Board
- Oskar Heitz, Deputy Chairman of the Executive Board
- Thomas Hücker, Operations

Members of the Supervisory Board of OVB Holding AG are:

- Michael Johnigk (Chairman of the Supervisory Board); Member of the Executive Boards of SIGNAL IDUNA Krankenversicherung a. G., Dortmund; SIGNAL IDUNA Lebensversicherung a. G., Hamburg; SIGNAL IDUNA Unfallversicherung a. G., Dortmund; SIGNAL IDUNA Allgemeine Versicherung AG, Dortmund; SIGNAL IDUNA Holding AG, Dortmund
- Dr. Thomas A. Lange (Deputy Chairman of the Supervisory Board); Chairman of the Executive Board of NATIONAL-BANK AG, Essen
- Maximillian Beck (since 5 June 2018); Member of the Executive Boards of Basler Lebensversicherungs-AG, Hamburg; Basler Sachversicherungs-AG, Bad Homburg; Basler Sach Holding AG, Hamburg; Managing Director of Basler Saturn Management B.V. in its capacity as general partner of Basler Versicherung Beteiligungen B.V. & Co. KG, Hamburg
- Markus Jost; Independent Certified Expert for Accounting and Management Accounting, former Member of the Executive Boards of Basler Lebensversicherungs-AG, Hamburg; Basler Sachversicherungs-AG, Bad Homburg; Basler Sach Holding AG, Hamburg; Managing Director of Basler Saturn Management B.V. in its capacity as general partner of Basler Versicherung Beteiligungen B.V. & Co. KG, Hamburg
- Wilfried Kempchen; Businessman, ret., former Chairman of the Executive Board of OVB Holding AG, Düren
- Winfried Spies; Mathematician, ret., former Chairman of the Executive Boards of Generali Versicherung AG, Munich; Generali Lebensversicherung AG, Munich; Generali Beteiligungs- und Verwaltungs AG, Munich
- Dr. Alexander Tourneau (until 5 June 2018); Senior Advisor and Supervisory Board Member in the Financial Services Sector, former Member of the Executive Boards of Basler Lebensversicherungs-AG, Hamburg, Basler Sachversicherungs-AG, Bad Homburg, and Basler Sach Holding AG, Hamburg; Managing Director of Basler Saturn Management B.V. in its capacity as general partner of Basler Versicherung Beteiligungen B.V. & Co.KG, Hamburg

Remuneration of Supervisory Board and Executive Board

Remuneration of the Supervisory Board amounted to EUR 155 thousand in the year under review (31 December 2017: EUR 90 thousand).

The members of the Executive Board of OVB Holding AG received the following remuneration:

EUR'000	Mario Freis	Oskar Heitz	Thomas Hücker
Fixed remuneration	484 (previous year: 487)	394 (previous year: 394)	291 (previous year: 285)
Variable remuneration	254 (previous year: 255)	151 (previous year: 152)	136 (previous year: 135)
Total remuneration	**738** **(previous year: 742)**	**545** **(previous year: 546)**	**427** **(previous year: 420)**

Variable remuneration of the members of the Executive Board is based on individual targets defined for the financial year. Apart from that, variable remuneration includes long-term benefits in the amount of EUR 249 thousand (31 December 2017: EUR 241 thousand). No share-based payments were made.

5. Consulting expenses and audit fees

The item "Legal, financial statement and consulting expenses" includes the fee of the auditor, PricewaterhouseCoopers AG, Düsseldorf, in the total amount of EUR 372 thousand (31 December 2017: EUR 267 thousand), thereof EUR 55 thousand for 2017. The auditor's fees comprise the following positions in the 2018 financial year:

EUR'000	2018	2017
Audit services	372	267
thereof OVB Vermögensberatung AG, Cologne	47	42
Other certifications and assessments	0	0
thereof OVB Vermögensberatung AG, Cologne	0	0
Tax consulting	0	0
thereof OVB Vermögensberatung AG, Cologne	0	0
Others services	0	0
thereof OVB Vermögensberatung AG, Cologne	0	0

6. Significant events after the reporting date

Dated 11 December 2018, OVB Holding AG signed a contract with AG Insurance NV on the complete acquisition of Belgian brokerage firm Willemot Bijzonder Verzekeringsbestuur NV ("Willemot NV") based in Gent. The purchase price will be in the low single-digit million euros. The parties have agreed not to disclose any other terms and conditions of the contract. The closing is expected to take place until 31 March 2019.

7. Related-party transactions

OVB has entered into agreements on the brokerage of financial products with related entities of the SIGNAL IDUNA Group, the Baloise Group and the Generali Group.

Principal shareholders as of 31 December 2018 are entities of

- the SIGNAL IDUNA Group,
- the Baloise Group and
- the Generali Group.

The SIGNAL IDUNA Group is a horizontal group ("Gleichordnungsvertragskonzern"). Its parent companies are:

- SIGNAL IDUNA Krankenversicherung a. G., Dortmund
- SIGNAL IDUNA Lebensversicherung a. G., Hamburg
- SIGNAL IDUNA Unfallversicherung a. G., Dortmund

SIGNAL IDUNA Lebensversicherung a. G., Hamburg, held shares in OVB Holding AG carrying 31.67 per cent of the voting rights as of 31 December 2018. SIGNAL IDUNA Krankenversicherung a.G., Dortmund, held shares in OVB Holding AG carrying 21.27 per cent of the voting rights as of 31 December 2018. From contracts with companies of the SIGNAL IDUNA Group, sales were generated in the amount of EUR 29,669 thousand in 2018 (31 December 2017: EUR 24,929 thousand). Receivables come to EUR 3,481 thousand (31 December 2017: EUR 2,193 thousand) and liabilities amount to EUR 31 thousand (31 December 2017: EUR 1 thousand).

The item "Securities and other investments" includes securities of the Signal IDUNA Group in the amount of EUR 7,142 thousand (31 December 2017: EUR 7,336 thousand).

Basler Beteiligungsholding GmbH, Hamburg, held shares in OVB Holding AG carrying 32.57 per cent of the voting rights as of 31 December 2018. This entity is a group company of the Baloise Group, whose parent is Bâloise Holding AG, Basel. From contracts with companies of the Baloise Group, sales were generated in the amount of EUR 31,287 thousand in 2018 (31 December 2017: EUR 34,470 thousand), essentially in the Germany segment. Receivables come to EUR 3,530 thousand (31 December 2017: EUR 4,860 thousand).

The item "Securities and other investments" includes securities of Bâloise Holding AG in the amount of EUR 705 thousand (31 December 2017: EUR 757 thousand).

Generali Lebensversicherung AG, Munich, held shares in OVB Holding AG carrying 11.48 per cent of the voting rights as of 31 December 2018. This entity is a group company of the Generali Group, whose German parent is Generali Deutschland Holding AG, Cologne. From contracts with companies of the Generali Group, sales were generated in the amount of EUR 16,670 thousand in 2018 (31 December 2017: EUR 17,639 thousand). Receivables come to EUR 6,346 thousand (31 December 2017: EUR 6,508 thousand) and liabilities amount to EUR 745 thousand (31 December 2017: EUR 32 thousand).

German subsidiary OVB Vermögensberatung AG leased office space in financial year 2012 which is the property of a close relative of a Supervisory Board member. Lease payments (including incidental rental costs) correspond to market conditions and amount to EUR 34 thousand p.a. Of this total amount, EUR 30 thousand (31 December 2017: EUR 30 thousand) are rent and EUR 4 thousand (31 December 2017: EUR 4 thousand) are incidental rental costs.

The terms and conditions of brokerage contracts concluded with related parties are comparable to the terms and conditions of contracts OVB has concluded with suppliers of financial products that are not related parties.

D&O insurance with coverage of EUR 25,000 thousand per insured event has been taken out for the members of the Executive Board and the Supervisory Board.

Items outstanding at the end of the financial year are not secured, do not bear interest and are settled by payment. No guarantees are given on account of receivables from or liabilities to related parties.

OVB Holding AG has reported on the contract relationships with companies of the SIGNAL IDUNA Group in financial year 2018 and in the previous years in accordance with Section 312 AktG (Stock Corporation Act).

8. Statement pursuant to Section 161 AktG

The Executive Board and the Supervisory Board of OVB Holding AG have issued the statement required under Section 161 AktG (Stock Corporation Act) for 2018 and made it permanently available to the shareholders on the website of OVB Holding AG (www.ovb.eu).

9. Statement pursuant to Section 114 WpHG

The financial statements represent an annual financial report for the purpose of the Second Act Amending Financial Market Regulation (Section 114 WpHG – Securities Trading Act) of 23 June 2017.

Responsibility statement

We assure that to the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the consolidated management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Cologne, 22 February 2019

Mario Freis CEO	Oskar Heitz CFO	Thomas Hücker COO

Independent auditor's report

To OVB Holding AG, Cologne

Report on the audit of the Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of OVB Holding AG, Cologne, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of OVB Holding AG, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

I. Measurement of receivables from financial agents

II. Provisions for cancellation risks

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue

2. Audit approach and findings

3. Reference to further information

Hereinafter we present the key audit matters:

I. Measurement of receivables from financial agents

1. In the consolidated financial statements of OVB Holding AG as at 31 December 2018, other receivables totaling EUR 18.6 million are reported under the balance sheet line item “Receivables and other assets”. As at the balance sheet date, EUR 7.2 million of this amount is attributable to receivables from financial agents resulting primarily from advance commission payments and claims for commission refunds. The Company sets up specific valuation allowances taking into account the information available on the credit rating of the debtors, the age structure of the receivables and, in individual cases, based on legal opinions prepared by internal and external attorneys. Within this context, a differentiation is made between active and former financial agents. Due to the large number of individual receivables from financial agents, the Company also calculates collective specific valuation allowances based on the grouping of receivables that are considered not to be significant and that have the same opportunity and risk profile based on value-influencing factors of the respective debtors. Based on these analyses and estimates of the executive directors, as well as other documents, the total expenses for valuation allowances on receivables from financial agents amounted to EUR 2.6 million in the financial year. As this measurement of receivables, which involves to a large extent judgment of the executive directors, has a significant impact on the recognition and amount of the valuation allowances which may become necessary, and the measurements are subject to uncertainties, this matter was of particular significance during our audit.

2. During our audit we in particular evaluated the analyses and measurements carried out by the Company with respect to whether these were up to date, evaluated the measurement method used and examined and assessed the measurement. In doing so, we obtained an understanding of the underlying source data, measurement parameters and the assumptions made by the executive directors, evaluated those factors critically and assessed whether they are within an acceptable range. Furthermore, we evaluated the legal opinions prepared by the internal and external attorneys appointed by the Company on a sample basis. Based on this, we carried out additional analytical audit procedures and tests of details relating to the measurement of the receivables from financial agents. Among other things, we also evaluated the underlying amounts recorded and their recoverability on the basis of the documentation made available, and we assessed the consistent application of the measurement methods. Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors for the purpose of measuring the receivables from financial agents are substantiated and adequately documented.

3. The Company’s disclosures pertaining to other receivables are contained in sections 3.4, 4.2.1 and II.6 of the notes to the consolidated financial statements.

II. Provisions for cancellation risks

1. In the consolidated financial statements of OVB Holding AG provisions for cancellation risks in the amount of EUR 15.9 million are reported under the balance sheet line item "Other provisions". These provisions relate to commission received from partner companies for brokerage of financial products that is to be reimbursed by the Company, where appropriate on a pro rata basis, in the event that brokered contracts are not redeemed, or are cancelled, within a certain liability period. The provisions are calculated based on a uniform Group-wide measurement process and are calculated by the respective subsidiary based on the country-specific measurement parameters, such as liability period, historical cancellation rates and expectations regarding the timing of the cancellations as at the balance sheet date. The portion of the provisions for cancellation risks that is likely to be non-current is discounted using a discount rate adequate to the period of the term. The calculation of the provisions for cancellation risks is to a large extent subject to the judgment of the executive directors and its related uncertainties. Against this background and due to the amount of this significant item in terms of its amount, this matter was of particular significance for our audit.

2. In the knowledge that estimated values result in an increased risk of accounting misstatements and that the measurement decisions made by the executive directors have a direct impact on consolidated profit/loss, we assessed the appropriateness of the carrying amounts. This involved, among other things, assessing the structure and appropriateness of the uniform Group-wide measurement method used to calculate the provisions and evaluating its uniform application across the Group. We also compared the country-specific and product-specific liability periods used in the calculation against the relevant legal requirements. In addition, we evaluated the Company's historical cancellation rates used in the calculation and the expectations of the executive directors regarding the timing of the cancellations as at the balance sheet date. Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors for the purpose of recognizing and measuring provisions for cancellation risks are substantiated and adequately documented.

3. The Company's disclosures pertaining to provisions for cancellation risks are contained in sections 3.4, 5.2.2 and II.21 of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f and § 315d HGB included in section "Statement on corporate governance" of the group management report

- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group’s position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 5 June 2018. We were engaged by the supervisory board on 12 November 2018. We have been the group auditor of the OVB Holding AG, Cologne, without interruption since the financial year 2005.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Michael Peters.

Düsseldorf, 27 February 2019
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Michael Peters	**ppa. Nadine Keuntje**
(Public Auditor)	(Public Auditor)

Michael Johnigk,
Chairman of the
Supervisory Board,
OVB Holding AG

Report of the Supervisory Board

Ladies and gentlemen,

The Supervisory Board of OVB Holding AG diligently attended to its duties as defined by law, the Articles of Association and the rules of procedure in the year under review. The Supervisory Board routinely advised the Executive Board in managing the Company and supervised the Executive Board's activities closely and continuously with respect to the lawfulness, compliance, expedience and economic efficiency of the Company's management. The Supervisory Board particularly concerned itself in detail with the Company's economic and financial development as well as with strategy and planning.

The Supervisory Board extensively discussed and debated all business transactions of relevance to the Company, based on the information furnished by the Executive Board, in full session. For this purpose, the Executive Board informed the Supervisory Board comprehensively and in good time about all aspects of importance to the Company in writing, by electronic means and orally. Key topics were the economic and financial performance of the Group and its segments including corporate planning, the business and risk strategy and other substantial factors of business operations, risk management, especially the material risks the OVB Group is exposed to, significant events and business transactions, developments with respect to financial agents and employees, the annual report prepared by Internal Auditing and the annual report provided by the Chief Compliance Manager. The Executive Board informed the Supervisory Board early on about all matters requiring the Supervisory Board's explicit agreement under law, the Articles of Association or the rules of procedure and presented them to the Supervisory Board for the adoption of resolutions in due time. Thus the Supervisory Board always had the opportunity to scrutinize and discuss the reports and resolution proposals of the Executive Board in full session and in the committees and to offer suggestions before casting its vote on the respective resolution proposal following thorough examination and debate. In urgent individual cases, resolutions were also adopted with the approval of all Supervisory Board members in writing, by electronic means or by phone.

All key financials were reported to the Supervisory Board by the Executive Board for each quarter. Insofar as the business performance deviated from planning, the Supervisory Board received detailed explanations which were then discussed by the Supervisory Board's members. The Company's risk position was also presented in detail and analyzed on a quarterly basis. Risk reports included the current risk position of the Group in view of profit/loss and assets and liabilities, distribution, products, markets, competition, regulatory framework and operations and support. The Chairman of the Supervisory Board and the Chairmen of the Audit Committee and the Nomination and Remuneration Committee regularly exchanged information with the CEO and the CFO outside the framework of the meetings and were thus informed about the current business situation and material business transactions.

Meetings of the Supervisory Board

Five regular meetings were held in the 2018 financial year. Members who were not able to attend in person participated in the adoption of resolutions by way of written votes. Each Supervisory Board member attended more than half of the meetings of the Supervisory Board and the respective committees he was a member of. The members of the Executive Board also attended Supervisory Board meetings unless the Chairman of the Supervisory Board had decided otherwise.

Subjects of regular and intensive debate were business planning and business performance in the three regional segments as well as the Group's profit/loss and financial position. The Supervisory Board also concerned itself exhaustively with the corporate strategy "OVB Evolution 2022" as well as with the effects of legal changes already adopted or to be expected on product sales and commission in several countries in which OVB operates.

At its meeting of 19 March 2018, the Supervisory Board dealt with the separate and consolidated financial statements as well as the management report of OVB Holding AG combined with the group management report (combined management report) prepared by the Executive Board. By approving the 2017 separate and consolidated financial statements, the Supervisory Board followed the recommendation of the Audit Committee furnished after its detailed review. The Supervisory Board approved the Executive Board's proposal for the appropriation of retained earnings and concerned itself with the Executive Board's report on relationships with affiliated company as well as the declaration of conformity. The Supervisory Board also adopted a competency profile for the Supervisory Board and a new remuneration model for the Supervisory Board as explained in detail in the statement on corporate governance pursuant to Sections 289f, 315d HGB in the chapter on corporate governance. Also adopted were the agenda for the Annual General Meeting 2018 and the report of the Supervisory Board to the General Meeting of shareholders. Based on the established target achievements, the Supervisory Board determined the remuneration of the Executive Board members for financial year 2017.

At the meeting preceding the Annual General Meeting on 5 June 2018, the Executive Board reported in detail on the business performance of the first quarter of 2018 as well as on changes in the holdings, among other topics. In addition to that, final preparations were made for the Annual General Meeting held that same day.

After the Annual General Meeting, the Supervisory Board convened on 5 June 2018 for its inaugural session in its new composition and carried out elections of the Chairman and Deputy Chairman of the Supervisory Board as well as elections to the Supervisory Board Committees.

The Supervisory Board meeting of 6 September 2018 was held in Warsaw (Poland).

By holding meetings at different international OVB locations, the Supervisory Board pursues the aim of gaining first-hand insight into business operations in individual national markets on location. At that meeting, the Executive Board gave a report on the current situation after concluding the first six months of 2018 and material measures involving the holdings. The Supervisory Board also addressed the Company's strategy. The status quo of the strategy's implementation, particularly with respect to the strategic cornerstones Digitization and Modernization was presented and acknowledged by the Supervisory Board.

On the agenda for the meeting of 10 December 2018 were resolution proposals concerning the acquisition of Belgian brokerage firm Willemot NV by OVB Holding AG. Moreover, the key financials for the year 2019 and the multi-year planning until the year 2023 derived from them were discussed extensively and approved. The Executive Board also reported on the business situation and profit position after the end of the third quarter of 2018. Following the report and a thorough discussion, the Supervisory Board approved the recommendations of the Nomination and Remuneration Committee for the quantitative and individual targets for Executive Board remuneration in 2019. Furthermore, the Supervisory Board informed itself about the draft of the amended German Corporate Governance Code undergoing its consultation process.

Corporate Governance Code

After extensive debate and adoption of a resolution at the Supervisory Board meeting of 19 March 2018, the Supervisory Board released the annual declaration of conformity pursuant to Section 161 (1) AktG together with the Executive Board on the same day, made permanently available on the Company's website on the internet.

Report from the committees

The Supervisory Board has established two standing committees for preparing the Supervisory Board resolutions as well as the topics to be addressed in full session.

At each Supervisory Board meeting, the Chairmen of the committees reported on the subjects and outcomes of any preceding committee meetings so that the Supervisory Board had a comprehensive information base for its debates at all times.

Audit Committee

The Audit Committee held seven meetings in the 2018 financial year, three of which in the shape of conference calls prior to the release of each of the interim financial reports. The Audit Committee concerned itself in depth with the financial statements and management reports of OVB Holding AG and the Group. It examined and discussed the interim financial reports (6-month and quarterly reports) in consideration of the auditor's report on the reviews of these reports.

At its regular meetings held in March, June, September and December, the Audit Committee discussed topics of risk management and compliance respectively. Emphasis of the March session was placed on discussions about the 2017 separate and consolidated financial statements. At the same meeting, the Audit Committee deliberated the proposal for the election auf the auditor in 2018 and recommended to the Supervisory Board to propose PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, to the Annual General Meeting as auditor for the election. After the Annual General Meeting, the Audit Committee commissioned the auditor elected by the Annual General Meeting for financial year 2018, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, to perform the audit and discussed the key matters of the audit with the auditor. The Audit Committee monitored the selection, independence and qualification of the auditor. The Committee also dealt with financial accounting and the financial accounting process, the effectiveness of the internal control system, the Company's risk management system and, based on written and oral reports of the head of Internal Auditing, the effectiveness, equipment and findings of Internal Auditing as well as the Chief Compliance Officer's annual report.

Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee held three meetings in 2018, two of which in the shape of conference calls. The Committee focused on the preparation of resolution proposals to be addressed in full session with respect to all decisions pertaining to Executive Board and Supervisory Board matters. Among those were the reappointment of Oskar Heitz, Management Board member for Finance, in the year under review. The Committee also routinely examined the remuneration system and the appropriateness of the Executive Board's remuneration. At its meeting in March 2018, the Committee concerned itself with the individual target achievements of the members of the Executive Board for the payment of variable remuneration components for 2017. The Audit Committee also discussed the nomination of candidates for the new election of the Supervisory Board, recommendations for the new Supervisory Board remuneration system and the Supervisory Board's competency profile.

In September 2018, the Committee concerned itself with the projection of the bonus payments to the Executive Board members for 2018 and with the definition of targets for the Executive Board's bonus payments financial year 2019. Committee debates in December 2018 focused among other topics on further adjustments to the 2019 bonus targets for the Executive Board, a review of the Executive Board remuneration system as well as emergency and succession planning for the Executive Board and the most senior executive levels of OVB Holding AG and the subsidiaries.

Audit of separate and consolidated financial statements

The auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, has audited the separate financial statements and consolidated financial statements as well as the management report of OVB Holding AG integrated into the combined management report for the financial year ended 31 December 2018 and has issued an unqualified audit opinion. Separate financial statements and management report were prepared in accordance with German law. The consolidated financial statements were prepared according to the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and according to supplementary provisions under applicable German law pursuant to Section 315e (1) HGB (Commercial Code).

Separate financial statements, consolidated financial statements, the combined management report as well as the auditor's audit reports on the annual financial statements and all other financial statement documents were submitted to the members of the Supervisory Board in good time prior to the Board's meeting. All those documents were discussed intensively by the Audit Committee and by the Supervisory Board in full session, both convening on 15 March 2019. The Audit Committee particularly addressed the key audit matters including the audit procedures as described in the audit opinion. The auditor's audit reports were made available to all members of the Supervisory Board and were discussed extensively at the Supervisory Board meeting of 15 March 2019 in the presence of the auditor. The auditor's certified accountants reported on the scope, focal points and material findings of the audit and especially went into the key audit matters and the audit procedures applied. Any material flaws of the internal control system with respect to financial accounting and the early warning system for risks were not identified. The Executive Board explained the financial statements of OVB Holding AG and the Group as well as the risk management system at this meeting. The Supervisory Board also adopted the resolution proposal to the Annual General Meeting for the election of the auditor in consideration of the Audit Committee's recommendation at its 15 March 2019 meeting. This decision was based on the declaration furnished by the Audit Committee that its recommendation was free from any undue influence by third parties and that no clause restricting its choice in accordance with Art. 16 (6) of the EU Audit Regulation was imposed on the Committee.

The Supervisory Board agrees with the auditor's findings based on the audit. After the final examination conducted by the Audit Committee and the Supervisory Board's own review, no objections are raised against financial statements, consolidated financial statements and combined management report. The Supervisory Board has therefore approved the 2018 separate financial statements and 2018 consolidated financial statements. The 2018 financial statements are thus adopted in accordance with Section 172 sentence 1 AktG (Stock Corporation Act). The Supervisory Board has approved the Executive Board's proposal for the appropriation of retained earnings by the payment of a dividend of Euro 0.75 per no-par share entitled to dividend and by carrying forward the remaining amount to new accounts.

The Executive Board's report on relationships with affiliated companies was provided to the Supervisory Board together with the corresponding audit report prepared by the auditor. In its audit report, the auditor has made the following statement:

"After our due examination and assessment, we confirm that

1. the factual disclosures contained in the report are correct,

2. consideration paid by the Company for the transactions listed in the report was not inappropriately high and

3. no circumstances suggest a materially different assessment from the assessment made by the Executive Board with respect to the measures listed in the report."

The Supervisory Board has examined the Executive Board's report on relationships with affiliated companies and consulted the corresponding audit report prepared by the auditor and approves of the auditor's findings. After concluding its own review, the Supervisory Board states that there were no objections to the Executive Board's concluding statement of its report on relationships with affiliated companies.

Changes on the Supervisory Board

As of the conclusion of the Annual General Meeting held on 5 June 2018, the terms of all members of the Supervisory Board ended. The election proposals of the Supervisory Board based on suggestions furnished by its Nomination and Remuneration Committee were adopted by a large majority of the shareholders respectively. Accordingly Michael Johnigk, Dr. Thomas A. Lange, Markus Jost, Wilfried Kempchen and Winfried Spies were confirmed in office. Maximilian Beck, member of the Executive Board of Basler Lebensversicherungs-AG, Hamburg, among other positions, was newly elected to the Supervisory Board. At the inaugural Supervisory Board meeting held immediately after the Annual General Meeting, Michael Johnigk was appointed Chairman and Dr. Thomas A. Lange Deputy Chairman of the Supervisory Board. Furthermore, Dr. Thomas A. Lange was appointed Chairman of the Audit Committee and Markus Jost was appointed Chairman of the Nomination and Remuneration Committee. The Supervisory Board members express their gratitude to Dr. Alexander Tourneau, who stepped down from the Supervisory Board in the financial year, for the many years of working together and his commitment over the past years.

Conflicts of interest and their management

No members of the Executive Board or the Supervisory Board identified or announced any conflicts of interest of their own.

The Supervisory Board is not aware of any indications of any conflicts of interest of Executive Board or Supervisory Board members subject to immediate disclosure to the Supervisory Board and information of the General Meeting of shareholders.

Acknowledgement of commitment and achievements

The Supervisory Board thanks the members of the Executive Board, the management teams and executives of the holdings and all financial agents and employees of the OVB Group for their great commitment over the 2018 financial year.

Cologne, 15 March 2019

On behalf of the Supervisory Board

Michael Johnigk
Chairman

Corporate Governance

Corporate governance stands for the responsible management and control of companies aimed at creating value over the long term. It strengthens the confidence of investors, financial markets, business partners, financial agents, employees and the general public in the Company's management and supervision and represents an essential cornerstone of sustainable business success. The OVB Group's corporate governance and corporate culture comply with the statutory provisions and – with a few exceptions – the additional recommendations of the German Corporate Governance Code. Those few exceptions should be regarded in light of the fact that the German Corporate Governance Code itself argues in its preamble that a reasoned deviation from a Code recommendation can be in the interest of sound corporate governance. Executive Board and Supervisory Board of OVB Holding AG feel committed to corporate governance; all business divisions are guided by its principles. We emphasize values such as competency, transparency and sustainability.

In the following chapter, the Executive Board reports – also on behalf of the Supervisory Board – on corporate governance at OVB Holding AG in accordance with No. 3.10 of the German Corporate Governance Code. The chapter includes the statement on corporate governance pursuant to Sections 289f, 315d HGB (Commercial Code).

Statement on corporate governance

General management structure with three corporate bodies

In accordance with the statutory provisions applicable to a German stock corporation, OVB Holding AG has a dual board system for the Company's management and supervision consisting of Executive Board and Supervisory Board. The third corporate body is the General Meeting of shareholders where the Company's shareholders participate in essential decisions regarding the Company. Executive Board and Supervisory Board work closely together for the benefit of the Company and maintain an intensive and open dialogue on a regular basis.

Direction and management – the Executive Board

The Executive Board of OVB Holding AG directs the Company and the Group managed by the Company on its own authority. The Executive Board assumes its management tasks, particularly including corporate planning, the Group's strategic orientation and its control and monitoring as well as the Group's financing, as a corporate body composed of Executive Board members who share the overall responsibility for the Company's management. They work together as colleagues and inform each other constantly about the measures and transactions of relevance in their respective areas of responsibility. Overall responsibility of all Executive Board members notwithstanding, the individual Board members manage the areas of responsibility assigned to them on their own authority.

The Executive Board's work is defined in detail by the rules of procedure resolved by the Supervisory Board, also determining the topics that are subject to Executive Board decisions to be made in full session and other formalities for the Executive Board's resolutions. The assignment of the areas of responsibility to the individual members of the Executive Board derives from a schedule of responsibilities which is part of the rules of procedure.

The Executive Board consults the Supervisory Board on the Company's strategic orientation in detail and discusses the strategy and its implementation with the Supervisory Board at regular intervals. The Executive Board reports to the Supervisory Board on all aspects of relevance to the Company relating to business performance, assets and liabilities, financial position and profit/loss, planning and target achievement, risk position and risk management regularly, timely and comprehensively. Any deviations of the business performance from the scheduled plans and targets are discussed and explained within this framework. The Executive Board's regular and in-depth reports delivered at the meetings of the Supervisory Board and the Audit Committee also include the subject of compliance, i.e. the measures for the observance of statutory provisions and in-house guidelines.

Certain Executive Board decisions of special importance require the approval of the Supervisory Board. Those cases are defined in the Executive Board's rules of procedure and relate to e.g. the acquisition of non-current assets or borrowing of financial loans in excess of a certain amount. The formation, acquisition, liquidation and disposal of holdings require approval as well.

Executive Board resolutions are adopted at meetings held regularly – at least once a month – and chaired generally by the Chairman of the Executive Board. Furthermore, any Board member may call for the convening of a meeting. If not required otherwise by law, the Executive Board decides by a simple majority of the votes cast. In case of a tie of votes, the Chairman has the casting vote.

Appointed members of the Executive Board of OVB Holding AG are at present:

Mario Freis
(born 1975, on the Executive Board since 2010, appointed until 31 December 2022)
CEO

Oskar Heitz
(born 1953, on the Executive Board since 2001, appointed until 31 December 2020)
CFO

Thomas Hücker
(born 1965, on the Executive Board since 2014, appointed until 31 December 2020)
COO

Supervision and advice to the Company's management – the Supervisory Board

The Supervisory Board supervises and advises the Executive Board, appoints its members and is directly involved in all decisions of essential relevance to the Company. The Supervisory Board also coordinates the Company's strategic orientation and routinely discusses the implementation of the business strategy with the Executive Board. The Chairman of the Supervisory Board coordinates this corporate body's work and chairs its meetings. Maintaining constant exchange with the Executive Board, the Supervisory Board is always informed about the business policy, corporate planning and strategy. It is also the Supervisory Board's responsibility to adopt or rather approve the separate and consolidated financial statements as well as the management report of OVB Holding AG integrated into the combined management report based on its own examination and in consideration of the reports provided by the auditor. As part of its report to the Annual General Meeting, the Supervisory Board informs the shareholders about its work.

According to Section 10 (1) of the Articles of Association, the Supervisory Board consists of six members, all of whom are elected by the General Meeting of shareholders.

The terms of the Supervisory Board members elected by the General Meeting of shareholders expire as of the conclusion of the Annual General Meeting in the year 2023 that will decide on the formal approval of the actions of the Executive Board and Supervisory Board members for financial year 2022.

The Supervisory Board has established two standing committees to support the Board's efficient performance of its tasks as well as a focused discussion of topics by providing assistance to the Board's work in full session: the Audit Committee and the Nomination and Remuneration Committee. Within their respective scope of responsibility, the committees prepare the resolutions of the Supervisory Board as well as the topics to be addressed in full session. At each following Supervisory Board meeting a report is given on the committees' work. Supplementing the rules of procedure of the Supervisory Board, there are separate rules of procedure for the Audit Committee and the Nomination and Remuneration Committee.

Audit Committee
By preparing topics and resolutions for the Supervisory Board, the four Committee members particularly address the diligent examination of the separate and consolidated financial statements as well as of the management report of OVB Holding AG integrated into the combined management report. The Audit Committee also concerns itself with issues of financial accounting, risk management and compliance. It manages the auditor's selection process and furnishes a suggestion to the Supervisory Board in consideration of the required auditor independence. The Audit Committee discusses and aligns the key audit matters with the auditor and decides on the fee agreement with the auditor. The Committee also discusses the quarterly and 6-month financial reports prior to their publication with the Executive Board.

Nomination and Remuneration Committee
This Committee, consisting of the Chairman of the Supervisory Board and one other Board member, prepares the body of work for the Supervisory Board's consideration in full session and suggests suitable candidates to the Supervisory Board for its election proposals to the Annual General Meeting. It also concerns itself with the composition of the Executive Board and its succession planning as well as with issues relating to the remuneration of Executive Board members.

Working methods of the Supervisory Board in full session and in the Committees
The Supervisory Board of OVB Holding AG fulfils its supervisory and advisory functions with special diligence. Even outside the framework of meetings, the Chairmen of Supervisory Board and Audit Committee regularly share their opinions with the Executive Board. They report on any relevant information in the following Supervisory Board or Committee meeting at the latest.

The Supervisory Board regularly reviews its own efficiency, most recently in the year 2018. This is generally done by way of self-inspection by analyzing the answers given anonymously by the Supervisory Board members to an extensive questionnaire. The analysis and the following discussion at the Supervisory Board meeting result in suggestions for the further improvement of its work, to be implemented in full session by the Supervisory Board and by the Committees if applicable.

Each Supervisory Board member discloses any conflicts of interest resulting from his involvement to the Supervisory Board without delay. The Supervisory Board informs about any conflicts of interest and how they have been responded to in its report to the General Meeting of shareholders.

The Supervisory Board of OVB Holding AG consists of the following members at present:

Michael Johnigk
(born 1953, on the Supervisory Board since 2001, elected until 2023)
Chairman of the Supervisory Board
Member of the Executive Boards of SIGNAL IDUNA Krankenversicherung a. G. (Dortmund), SIGNAL IDUNA Lebensversicherung a. G. (Hamburg), SIGNAL IDUNA Unfallversicherung a. G. (Dortmund), SIGNAL IDUNA Allgemeine Versicherung AG (Dortmund) and SIGNAL IDUNA Holding AG (Dortmund)

Dr. Thomas A. Lange
(born 1963, on the Supervisory Board since 2013, elected until 2023)
Deputy Chairman of the Supervisory Board
Chairman of the Executive Board of NATIONAL-BANK AG (Essen)

Maximilian Beck
(born 1973, on the Supervisory Board since 2018, elected until 2023)
Member of the Executive Boards of Basler Lebensversicherungs-AG (Hamburg), Basler Sachversicherungs-AG (Bad Homburg), Basler Sach Holding AG (Hamburg) and Managing Director of Basler Saturn Management B.V. in its capacity as general partner of Basler Versicherung Beteiligungen B.V. & Co. KG (Hamburg)

Markus Jost
(born 1961, on the Supervisory Board since 2013, elected until 2023)
Independent Certified Expert for Accounting and Management Accounting

Wilfried Kempchen
(born 1944, on the Supervisory Board since 2012, elected until 2023)
Businessman, retired; former Chairman of the Executive Board of OVB Holding AG

Winfried Spies
(born 1953, on the Supervisory Board since 2010, elected until 2023)
Mathematician, retired

An overview of the members of the Executive Board, the Supervisory Board and the Supervisory Board Committees of OVB Holding AG in financial year 2018 as well as their memberships of comparable corporate bodies can be found in this Annual Report beginning on page 124.

Objectives for the composition of the Supervisory Board

It is of major concern to the Supervisory Board to see to a composition of the responsible corporate bodies Executive Board and Supervisory Board that is for the best of the Company. Even though diversity is considered a target generally to be aimed for in this context, the Company does not pursue an explicitly defined diversity concept for the purpose of Section 289f (2) no. 6 HGB (Commercial Code). For the Company, the respective members' individual experience, skills and knowledge have top priority for the composition of the Supervisory Board. The Supervisory Board has determined specific objectives for its composition and framed a competency profile for the Board as a whole. The following set of experiences, skills and knowledge are regarded as essential:

- Experience in distribution and the management of a sales organization
- Familiarity with the insurance industry/financial services industry in the relevant markets in which OVB operates
- Expertise of the Board as a whole in the fields of digitization, accounting, financial accounting, management accounting, risk management, governance and compliance and the Board membership of one financial expert

The Supervisory Board holds the view that the requirements of the competency profile are met completely with the skills, experience and expertise the members of the Supervisory Board contribute. The competencies, skills and experience of the individual Supervisory Board members can be found in the curricula vitae available on our website at www.ovb.eu/english/company-ovb/management.

The decisions of the Supervisory Board on election proposals to be made to the General Meeting of shareholders are based on the competency profile for its composition as adopted by the Supervisory Board and shall be oriented solely towards the Company's best interest. In the interest of the Company, the Supervisory Board is particularly dependent on its members' specific knowledge and experience relating to the Company's business activity and business model, the products offered and the different markets in which the subsidiaries operate. Such knowledge and experiences enable the Supervisory Board to assume its statutory task of supervision efficiently and to be available to the Executive Board as a competent partner and advisor with respect to the Company's strategic orientation and all subject matters relating to its future development.

In particular consideration of the Company's specific shareholder structure, the Supervisory Board regards as adequate and sufficient that the Supervisory Board has one independent member. The independent member of the Supervisory Board of OVB Holding AG is Wilfried Kempchen.

Compliance with the Corporate Governance Code

Declaration of conformity 2018

Section 161 AktG (Stock Corporation Act) requires the executive board and the supervisory board of any listed German stock corporation to declare at least once each year if and to what extent the German Corporate Governance Code was and is complied with and which of the Code's recommendations were or are not applied, and for what reason.

As of 19 March 2018, Executive Board and Supervisory Board of OVB Holding AG have released the following declaration of conformity:

Executive Board and Supervisory Board of OVB Holding AG hereby declare in accordance with Section 161 (1) sentence 1 AktG that the recommendations of the Government Commission "German Corporate Governance Code" in its version of 7 February 2017 – released in the Federal Gazette on 24 April 2017 and corrected on 19 May 2017 – have been and are complied with, with the following exceptions.

Recommendations:

No. 3.8 (3) GCGC (directors' & officers' liability insurance)
OVB Holding AG has not provided for a deductible in the D&O liability insurance policy taken out for the members of the Supervisory Board. The members of the Supervisory Board attend to their duties responsibly and in the Company's best interest. The legislator considers a differentiation between executive board and supervisory board adequate as, unlike executive board members, supervisory board members are not subject to statutory provisions governing a deductible.

No. 4.1.3 sentence 3 GCGC (whistleblower system)
Within the scope of responsibility of the Chief Compliance Manager, a whistleblower system has been implemented at OVB Holding AG, giving employees the opportunity to report suspected violations of the law within the Company. According to the opinion shared by Executive Board and Supervisory Board, the effectiveness and purpose of a whistleblower system do not require the reporting person's anonymity. The faithful and sensitive handling of such reports is mandatory and also sufficient. The whistleblower's unrestricted anonymity is not called for and shall not be provided in order to prevent misuse. As it is not ultimately clear if No. 4.1.3 sentence 3 GCGC demands the whistleblower's strict anonymity, a deviation from this recommendation is declared by way of precaution.

No. 4.1.5 sentence 1 GCGC (consideration of diversity for executive positions)
According to the recommendations of the German Corporate Governance Code, the executive board shall pay attention to the aspect of diversity in filling executive positions and thus aim for the adequate representation of women. The Executive Board of OVB Holding AG pursues the goal of promoting women and aims at having more women assume executive positions. However, the Executive Board holds the view that the aspect of diversity which includes the consideration of women should not be the sole determinant for filling executive positions. In the interest of the Company, the right choice much rather depends on management and leadership qualities, expert knowledge in response to the respective executive areas and responsibilities and professional experience. In view of these considerations, a deviation from No. 4.1.5 GCGC is declared by way of precaution.

No. 5.1.2 (1) sentence 2 GCGC (consideration of diversity for composition of the Executive Board)
According to the recommendations of the Code, the supervisory board shall pay attention to the aspect of diversity in the composition of the Executive Board. The Supervisory Board of OVB Holding AG does consider diversity an objective to be pursued for the composition of the Executive Board yet regards the specialist know-how, capabilities and experience of the candidates in their respective fields of business and areas of responsibility as the ultimately deciding criteria for their selection in the interest of the Company and its shareholders. In view of these considerations, a deviation from No. 5.1.2 (1) sentence 2 GCGC is declared by way of precaution.

No. 5.3.2 (3) sentence 2 GCGC (independence of the chairman of the audit committee)
Among other topics, No. 5.3.2 (3) sentence 2 of the Code recommends that the chairman of the audit committee shall be independent. The Chairman of the Audit Committee of OVB Holding AG is a member of the Supervisory Board of an entity which is part of the SIGNAL IDUNA Group. As the requirements of the GCGC for independence are not ultimately clear, a deviation from this recommendation is declared by way of precaution.

No. 5.4.1 (2) sentence 1 GCGC (consideration of diversity and definition of a regular limit of length of membership of the Supervisory Board)
In the composition of the Supervisory Board, the aspect of diversity is generally taken into account. In the interest of the Company, however, the Supervisory Board will be governed in its election proposals to the Annual General Meeting primarily by the knowledge, capabilities

and expert experience of the candidates to be suggested. For this reason a deviation from No. 5.4.1 (2) GCGC is declared by way of precaution.

Furthermore, the Supervisory Board of OVB Holding AG has decided not to determine a regular limit of length of Supervisory Board membership as a blanket regular limit would not consider individual factors justifying longer membership of individual members of the Supervisory Board. Suitability for performing one's tasks on the Board does not expire as one reaches a certain age or completes a certain time period of membership but depends solely on one's respective individual capabilities.

No. 5.4.6 (1) sentence 2, (2) sentence 2 GCGC (remuneration of the Supervisory Board)
Contrary to the recommendation of the Code, the remuneration of the members of the Supervisory Board presently does not account for membership or chairmanship of any of the Supervisory Board's Committees as there is a close exchange of information with the Audit Committee and the Nomination and Remuneration Committee in the interest of sound corporate governance anyway and the remaining Supervisory Board members usually attend the meetings of the Audit Committee, too. However, an amendment to the Articles shall be proposed to the General Meeting of shareholders to the effect that Committee chairmanship and membership shall be considered in the future in order to account for the additional corresponding demands in an adequate way. The performance-based remuneration of the Supervisory Board members currently in place is not particularly aligned with sustainable corporate development. Even though this performance-based remuneration model is also compliant with the law, the General Meeting of shareholders is intended to be made the proposal that a mere fixed compensation be provided for in the Articles of Association, in consideration of the development of good practice in the market among other factors.

Cologne, 19 March 2018

On behalf of the Executive Board

On behalf of the Supervisory Board

Mario Freis

Oskar Heitz

Thomas Hücker

Michael Johnigk

Detailed information on the subject of corporate governance is also available on our website. All previously released declarations of conformity are permanently available on the website.

Information on targets for the representation of women on the Supervisory Board, on the Executive Board and in executive positions of OVB Holding AG

The German Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector requires companies that are publicly listed or subject to codetermination to define targets for the share of women on the supervisory board, the executive board and the two most senior executive levels below the executive board. While first-time definition of those targets had to be finalized by 30 September 2015 and could not be effective beyond 30 June 2017, a longer period of time could be defined subsequently, up to and including 30 June 2022.

Resolutions adopted in the year 2017:

Upon adopting a new resolution in March 2017, the Supervisory Board stated that the share of women on the Supervisory Board and the Executive Board was unchanged. With respect to the share of women on the Executive Board as well as the Supervisory Board, it was decided to keep the targets at 0 per cent for the time period until 30 June 2022 for the sake of flexibility.

For the representation of women at the senior executive level below the Executive Board, the Executive Board resolved a 10.5 per cent target for the time period until 30 June 2022 in March 2017.

Supervisory Board and Executive Board keep aiming at increasing the representation of women on the Supervisory Board, on the Executive Board and at the executive level below the Executive Board and giving preference for new openings to women over men at equal professional qualification.

Essential corporate governance practices

Compliance as an essential management task of the Executive Board

We consider compliance the legally and ethically faultless conduct of our staff in the day-to-day business because each employee has an impact on the Company's reputation by his or her professional conduct.

Violations of applicable law, relevant codes or in-house rules are not tolerated. Compliance as a measure geared to the adherence to such rules and their observance by the group companies is an essential task in management and supervision at OVB. Compliance is not limited to our employees but also addresses the financial agents who work for us in the different markets.

The OVB Group transacts its business responsibly and in compliance with the laws and official regulations of the countries in which the Company operates.

Compliance principles were implemented at OVB as early as in financial year 2008 and a compliance management system (CMS) based on the pillars "prevent, recognize, respond" was introduced, subject to a continuous internal updating process and constant review in consideration of changing legal requirements. With the regular advancement of the CMS implemented at OVB, an important contribution is made to the systematic expansion of prevention and control measures.

The CMS comprises OVB's principles and measures for assuring compliant conduct of its staff. One central component of conduct in compliance with the rules is a code of conduct, representing the foundation of the compliance provisions throughout the Group and explaining the basic principles our actions are based on. With the help of the CMS, the continuous development of OVB's in-house standards of conduct and the implementation of internal and external requirements, particularly regulatory ones, are managed and controlled. The entire OVB management team has made it their job to bring compliance to life and to be role models in terms of compliance.

A key instrument provided by the CMS for safeguarding compliance throughout the Group is the guideline management system at OVB Holding AG. In addition to the guideline management system, other internal control mechanisms are implemented as part of the CMS particularly in order to meet the legislator's EU-wide regulatory requirements adequately and in good time.

The individual corporate guidelines contain further specific instructions for safeguarding compliance with legal obligations and internal guidelines and creating consistent standards for all Group companies wherever possible.

The essential tasks of OVB's compliance management include the identification and prevention of potential compliance risks in a systematic process, promoting the compliance observing conduct of business partners and developing and implementing communication measures on this subject. Regulatory developments are constantly observed to make sure that potential effects on OVB are identified early on and suitable corresponding measures can be taken.

The Group's Chief Compliance Manager (CCM) reports directly to the Chief Financial Officer. The compliance officers of the operating subsidiaries are assigned to the CCM for support and concern themselves with all compliance relevant transactions at the level of business operations. The compliance team works closely together with the Executive Board, the management teams and other executives, addresses questions of doubt and assists all employees in adhering to external and internal provisions.

Based on regular reports delivered by the Chief Compliance Manager, the Executive Board, the Supervisory Board's Audit Committee and the Supervisory Board in full session are informed about recent developments in this field. The compliance reports also find entry into OVB's risk management reporting. Furthermore, the CCM is available to all employees and third parties in all issues of compliance for discussion and advice.

Additional information on corporate governance at OVB Holding AG

Implementation of the German Corporate Governance Code

Executive Board and Supervisory Board of OVB Holding AG concerned themselves thoroughly with conformity with the provisions of the German Corporate Governance Code (GCGC) once again in the year under review.

Following intensive debate, as of 15 March 2019 Executive Board and Supervisory Board released a declaration of conformity pursuant to Section 161 (1) AktG (Stock Corporation Act), reproduced in its entirety on the Company's website at www.ovb.eu/english/investor-relations/corporate-governance, explaining the respective deviations from the recommendations of the Code.

Insider list / Directors' dealings

In order to guarantee that potential insider information is handled in compliance with the law, OVB Holding AG keeps an insider list in accordance with the Market Abuse Regulation. In addition to that, directors' dealings are recorded and announcements of reportable transactions of this kind are released without delay on the internet at www.ovb.eu/english/investor-relations/corporate-governance.

Corporate governance of OVB Holding AG on the internet

www.ovb.eu/english/investor-relations/corporate-governance

- Information on the committees
- Statements on corporate governance
- Declarations of conformity
- The Articles of Association of OVB Holding AG
- Directors' dealings

Company boards and board memberships

Executive Board	Memberships of Supervisory Boards and comparable supervisory bodies
Mario Freis Chairman of the Executive Board (CEO) Responsible for Corporate Development, Corporate Management, Sales, Training, Product Management, Marketing, Communication, Auditing	- Chairman of the Supervisory Board of OVB Vermögensberatung AG, Cologne - Chairman of the Administrative Board of OVB Vermögensberatung (Schweiz) AG, Cham, Switzerland (until 17/10/2018) - Chairman of the Administrative Board of OVB Allfinanz España S.A., Madrid, Spain (until 14/09/2018) - Member of the Supervisory Board of OVB Allfinanz Slovensko a.s., Bratislava, Slovakia
Oskar Heitz Deputy Chairman of the Executive Board Member of the Executive Board – Finance (CFO) Responsible for Corporate Accounting, Risk Management, Management Accounting, Investor Relations, Legal Affairs, Tax Planning, Compliance, Data Protection, Anti-Money Laundering Control	- Member of the Supervisory Board of OVB Vermögensberatung AG, Cologne - Member of the Supervisory Board of OVB Allfinanz Slovensko a.s., Bratislava, Slovakia - Member of the Supervisory Board of OVB Allfinanz a.s., Prague, Czech Republic - Member of the Administrative Board of OVB Allfinanz España S.A., Madrid, Spain (until 14/09/2018)
Thomas Hücker Member of the Executive Board – Operations (COO) Responsible for Group IT, IT Security, Business Process Management, Human Resources	

Supervisory Board	Memberships of Supervisory Boards and comparable supervisory bodies
Michael Johnigk Chairman of the Supervisory Board Member of the Executive Boards of SIGNAL IDUNA Krankenversicherung a. G, Dortmund; SIGNAL IDUNA Lebensversicherung a. G., Hamburg; SIGNAL IDUNA Unfallversicherung a. G., Dortmund; SIGNAL IDUNA Allgemeine Versicherung AG, Dortmund; SIGNAL IDUNA Holding AG, Dortmund	- Chairman of the Supervisory Board of SDV Servicepartner der Versicherungsmakler AG, Augsburg - Deputy Chairman of the Supervisory Board of SIGNAL IDUNA Bauspar AG, Hamburg - Member of the Supervisory Board of BCA AG, Bad Homburg - Member of the Supervisory Board of SIGNAL IDUNA Asset Management GmbH, Hamburg
Dr. Thomas A. Lange Deputy Chairman of the Supervisory Board Chairman of the Executive Board of NATIONAL-BANK AG, Essen	- Chairman of the Supervisory Board of Düsseldorfer Hypothekenbank AG, Düsseldorf - Chairman of the Supervisory Board of ENDIR 1 Abwicklungsgesellschaft mbH, Essen - Deputy Chairman of the Advisory Board of EIS Einlagensicherungsbank GmbH, Berlin/Cologne - Member of the Supervisory Board of HANSAINVEST Hanseatische Investment-GmbH, Hamburg

Supervisory Board	Memberships of Supervisory Boards and comparable supervisory bodies
Maximilian Beck Member of the Supervisory Board Member of the Executive Boards of Basler Lebensversicherungs-AG, Hamburg; Basler Sachversicherungs-AG, Bad Homburg; Basler Sach Holding AG, Hamburg; Managing Director of Basler Saturn Management B.V. in its capacity as general partner of Basler Versicherung Beteiligungen B.V. & Co. KG, Hamburg	- Chairman of the Supervisory Board of ZEUS Service AG, Hamburg - Chairman of the Supervisory Board of Basler Vertriebsservice AG, Hamburg
Markus Jost Member of the Supervisory Board Independent Certified Expert for Accounting and Management Accounting; former Member of the Executive Boards of Basler Versicherungen, Bad Homburg / Hamburg	
Wilfried Kempchen Member of the Supervisory Board Businessman, retired; former Chairman of the Executive Board of OVB Holding AG	
Winfried Spies Member of the Supervisory Board Mathematician, retired; former Chairman of the Executive Boards of Generali Versicherung AG, Munich; Generali Lebensversicherung AG, Munich; Generali Beteiligungs- und Verwaltungs AG, Munich	- Chairman of the Supervisory Board of Bank1Saar eG, Saarbrücken - Chairman of the Supervisory Board of Cosmos Lebensversicherungs-AG, Saarbrücken - Chairman of the Supervisory Board of Cosmos Versicherung AG, Saarbrücken

Supervisory Board Committees

Audit Committee	Dr. Thomas A. Lange (Chairman), Michael Johnigk, Maximilian Beck, Markus Jost
Nomination and Remuneration Committee	Markus Jost (Chairman), Michael Johnigk

Financial Calendar

21 March 2019
Publication of the Annual Financial Statements for 2018,
Analyst Conference, Press Conference

08 May 2019
Results for the first quarter 2019, Conference Call

14 June 2019
Annual General Meeting, Cologne

14 August 2019
Results for the second quarter 2019, Conference Call

14 November 2019
Results for the third quarter 2019, Conference Call

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